

► BUILDING INFRASTRUCTURE

Your Partner in Water



SaskWater

2015-16 ANNUAL REPORT



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SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

The history of SaskWater goes back to 1966 when we began operations as the Saskatchewan Water Supply Board. The head office was relocated from Regina to Watrous in 1977, and in 1984 the Saskatchewan Water Corporation was created with its head office in Moose Jaw. All the personnel and property of the former Board were transferred to the new corporation. In 2002, SaskWater received a new mandate to operate exclusively as a commercial water utility.

SaskWater provides professional water and wastewater services to 63 communities, nine rural municipalities, 85 rural pipeline groups, 16 industrial and approximately 236 commercial and domestic end-user customers. SaskWater serves approximately 74,000 people in Saskatchewan.

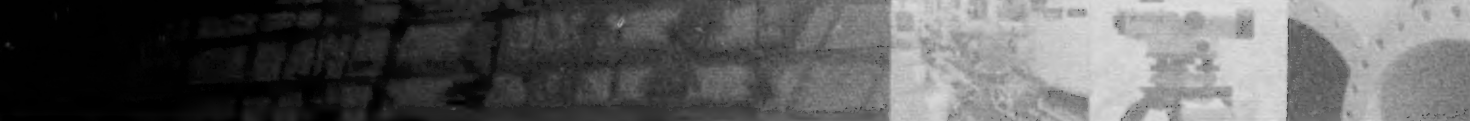
The corporation owns eight water treatment plants, three wastewater facilities, 39 pump stations, 140 kilometres of canal and 935 kilometres of pipeline. The total kilometres of pipeline that SaskWater owns increased in 2015–16 with 70 kilometres of pipeline on the Zelma East project added.

SaskWater also maintains 13 customer-owned systems and remotely monitors 55 facilities around the province. In 2015–16, we continued to provide operator training to 29 Saskatchewan First Nations communities.

Supporting economic growth and the people of Saskatchewan has always been at the core of SaskWater's purpose. As Saskatchewan's communities and industries grow with the province's expanding economy, SaskWater works hard to supply its customers with the infrastructure, customer service and water resources they need to prosper.

The theme of this year's annual report is *Building Infrastructure*, and we highlight several stories of meeting our strategic objectives through refurbishment, expansion and new builds:

- replacing five bridges on the Saskatoon Southeast Water Supply system canal
- expanding potable water services to White City to help meet the needs of this growing community
- substantial completion of the three year build of the Zelma East pipeline project to provide non-potable water for BHP Billiton's Jansen mine



Corporate Profile

SaskWater is committed to providing the highest level of service to its customers. That promise is reflected in the corporation's Vision, Mission and Values.

Vision: to be the best at connecting water for life and growth, partnering for a better tomorrow.

Mission: to provide safe, reliable and sustainable water and wastewater services for Saskatchewan.

Values:

- **Integrity** – We act ethically with respect, honesty, courtesy and fairness.
- **Professionalism** – We provide quality, expertise and excellence in the delivery of our services, and we are accountable for our actions.
- **Teamwork** – We promote co-operation and commitment to achieve our common goals.
- **Safety** – We are committed to safety in all aspects of our operations.
- **Innovation** – We pursue continuous improvement and innovative solutions.
- **Environment** – We respect and support the environment and communities where we live and work.

SaskWater has defined four strategic goals to guide the corporation: Customer Driven, Pursuing Excellence, Valuing Employees and Succeeding Financially. Our 2015–16 annual report provides details on how we are accomplishing all four goals.

SaskWater's Value Proposition to its Customers

High Standards

Staff dedication to quality control ensures customers receive safe and reliable water services.

Knowledge

Staff's technical expertise helps determine the most cost-effective solutions for customers' water and wastewater services.

Innovation

Access to knowledge and innovation exchange networks and a commitment to pilot innovative new ideas and technologies.

Asset Enhancement

Investment in asset renewal, asset management, staff training and remote monitoring increases corporate efficiencies and quality service.

Partnerships

Strong working relationships with regulatory and other government agencies, consultants and contractors enable SaskWater to provide timely and efficient services to customers.

Corporate Responsibility

SaskWater's Community Investment program supports Saskatchewan communities through sponsorships and donations.

Financial and Operating Highlights

Financial Highlights (\$ thousands):	Fifteen Months January 2015 to March 2016	Three Months January 2016 to March 2016	Twelve Months January 2015 to December 2015	Twelve Months January 2014 to December 2014
Total revenue	\$ 58,988	\$ 10,984	\$ 48,005	\$ 43,853
Total expenses	49,998	9,830	40,168	38,365
Operating income	8,990	1,154	7,837	5,488
Net finance income (expense)	(1,645)	(233)	(1,412)	(3)
Net income	7,345	921	6,425	5,485
Other comprehensive income (loss)	16	–	16	(18)
Total comprehensive income	\$ 7,361	\$ 921	\$ 6,441	\$ 5,467
Unrealized gains (losses) included in net finance amount	\$ (355)	\$ 162	\$ (516)	\$ 1,229
Dividends	\$ 1,929	\$ 190	\$ 1,739	\$ –
Debt ratio	45.70%	45.70%	44.80%	45.00%
Operating Highlights (cubic metres):				
Non-potable water distributed	47,531,827	10,057,768	37,474,059	29,997,389
Potable water distributed	8,767,039	1,618,860	7,148,179	6,864,081

Systems Map

Current service in Saskatchewan

SaskWater currently owns and/or operates potable, non-potable and wastewater waterworks in the following locations/regions:

- 1 La Ronge Area
- 2 Pierceland
- 3 Meota-Cochin-Jackfish Lake Area
- 4 Nipawin
- 5 Melfort Area
- 6 Wakaw-Humboldt Area
- 7 Saskatoon Area
- 8 Hanley-Watrous-Lanigan Area
- 9 Elbow
- 10 Cupar
- 11 Edenwold
- 12 Buffalo Pound Area
- 13 Moose Jaw (Geothermal)
- 14 Fort Qu'Appelle
- 15 White City
- 16 Gravelbourg



Letter of Transmittal

Moose Jaw, June 2016

To Her Honour
Vaughn C. Schofield
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

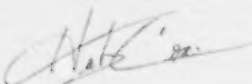
Dear Madam:

It is my honour to submit herewith the annual report of SaskWater for the 15-month period ending March 31, 2016.

The annual report includes the financial statements, duly certified by auditors for the corporation, in the form approved by the Treasury Board and in accordance with *The Saskatchewan Water Corporation Act*.

I have the honour to be your obedient servant.

Sincerely,



Herb Cox
Minister Responsible for
Saskatchewan Water Corporation



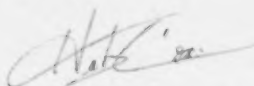
Minister's Message

It is a pleasure to present SaskWater's 2015–16 Annual Report. The report's theme *Your Partner in Water: Building Infrastructure* speaks to the work SaskWater completed throughout the year to meet the needs of its customers whether it be completing new projects, expanding existing systems or refurbishing aging assets.

The dedication and focus shown by the corporation to grow its business and achieve a sustainable earnings level is commendable, as for the first time in its history, SaskWater paid a dividend to the province in 2015–16.

SaskWater's commitment as a provincial Crown utility to provide safe, reliable and sustainable water and wastewater services to the people of Saskatchewan contributes to the growth of our provincial economy and the communities we call home.

Sincerely,



Herb Cox
Minister Responsible for
Saskatchewan Water Corporation



SaskWater updated its strategic plan for 2015 including revising the mission statement, to *provide safe, reliable and sustainable water and wastewater services for Saskatchewan*.

Safe and reliable are hallmarks of SaskWater's service, reflecting the top two expectations customers identify in satisfaction surveys. The addition of sustainability reflects the importance of the long-term perspective in how we operate. Sections have been identified in each of the four goal areas in the annual report to identify sustainability initiatives.

The focus of our strategic plan is Growth, Diversification and Competitiveness. SaskWater continues to play an important economic development role within the province, going back to when we were originally founded as the Saskatchewan Water Supply Board in 1966.

We work closely with the Ministry of Economy to present Saskatchewan as a good place to do business. In 2015–16, SaskWater had discussions with 16 potential industrial customers considering operations outside major cities, most of which would be new businesses in the province. Of these, five were in the agribusiness sector, eight in the energy sector, two in the transportation sector and one in the mineral exploration sector. In most cases, if these projects proceed, they would require the construction of new water supply systems.

SaskWater is also working with a number of municipalities on potential opportunities, many of which are tied to grant funding applications. On July 31, 2015, a total of 26 projects were awarded grants under the New Building Canada Fund, with approximately \$11.5 million from each of the federal and provincial governments. On February 26, 2016, a further 11 projects were awarded grants of approximately \$5.4 million from each level

of government. None of the projects were ones SaskWater was working with; however, we continue to work with our customer communities to advance their projects whether they get grant funding or not.

A new service for municipalities was launched in 2015–16, to extend the remote monitoring used in all our facilities and ones we operate, and make it available to communities that retain ownership and operation of their own water systems. The results of this effort will be reported in next year's annual report.

The potash sector is a key customer component for SaskWater, representing approximately 68% of all potable and non-potable water distributed, and 38% of water sales revenue. SaskWater continues to work with both existing and potential potash companies to meet their needs. In 2015–16, the K+S Potash Canada mine began cavern development using the water supply system built by SaskWater. SaskWater reached substantial completion on the water supply system for the BHP Billiton potash mine proposed near Jansen. We advanced the engineering design for a water supply system to serve the proposed Vale potash mine at Kronau; however, Vale indefinitely suspended the project late in 2015. We are now providing engineering and related services for the proposed Yancoal Canada Resources mine near Southey as they do their feasibility assessment.

Competitiveness is an important part of the strategy going forward. SaskWater must ensure the rates provided to customers represent good value. This means we need to constantly assess how we can serve our customers better by being more efficient in our service delivery. SaskWater implemented a number of initiatives to increase our efficiency and avoid unnecessary costs in 2015–16. Examples include optimizing pumping pressures to save both power costs and reduce water losses on older systems,

automating services in facilities, trying innovative designs on infrastructure projects to reduce cost, changing to less expensive suppliers, re-purposing older assets to extend their useful lives, and using video conferencing to save travel and time for meetings. This will be an on-going effort.

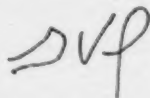
Other priorities in the strategic plan include reducing our timelines in responding to customer service requests, implementing a new information technology strategy, improving our safety processes for both staff and contractors, and leveraging the talents and interests of staff so they find their work environment challenging and rewarding. Successfully achieving these objectives will further contribute to customer and staff satisfaction and growing our business.

SaskWater bid farewell to two departing Board members during this period, Brenda Merasty and Jordan Bergermann. We thank them for their insights and contributions to SaskWater's success. SaskWater

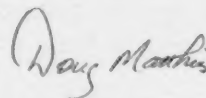
welcomed one new Board member, Michael (Butch) Gering. The strength of the Board has been enhanced with three members completing the Chartered Director training modules over the past 15 months.

Finally, SaskWater thanks our loyal customers and staff, without whom we would not have been able to generate an earnings level that exceeded expectations and allowed us to make our first ever dividend payment back to our shareholder, Crown Investments Corporation. We look forward with optimism to new opportunities in 2016-17.

Sincerely,



Gary Vidal
Chair of the Board



Doug Matthies
President and CEO



Gary Vidal, Chair of SaskWater's Board of Directors, left, and Doug Matthies, President and CEO of SaskWater.

The following Management Discussion and Analysis (MD&A) considers key influences on SaskWater growth opportunities, existing business services, key strategies going forward, performance measures, 2015–16 financial results, the 2016–17 financial outlook, business risks and corporate governance. The MD&A should be read in conjunction with the audited financial statements for the 15-month period ending March 31, 2016.

The corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period will consist of 15 months ending March 31, 2016. Financial information included in the MD&A will be described as 12 months over 12 months (2015 vs 2014) plus the impact of the additional three months in the 15-month current fiscal period.

Key influences

SaskWater is a commercial Crown corporation providing water utility services. The corporation's activities are confined to the province of Saskatchewan in accordance with the government's SaskFirst Investment Policy.

Water and wastewater services in Saskatchewan are typically provided by municipalities that serve not only their residents, but also any commercial or industrial businesses within their communities. Water infrastructure within the province is generally characterized as independent systems that are not interconnected.

SaskWater's success has been achieved largely by seeking out opportunities in support of large industrial projects outside of existing municipalities, and in the provision of regional municipal services. Large industrial customers that use significant volumes of water have the resources required to justify large capital investments associated with developing and operating water supply systems. In the provision of services to municipalities, regional approaches typically provide economies of scale to make the cost of the investment affordable to the users. This is also influenced by the size of individual communities in the region and the distance between them.

Saskatchewan's economy is resource based and export driven. Most of the industrial companies are commodity based and are subject to global market forces and economic cycles. Therefore, the likelihood of a business proceeding and being successful is contingent upon long-term price outlooks and the ability of the business to operate on a competitive basis with other global suppliers.

The potash sector has been particularly important to the provincial economy and SaskWater. Potash mining occurs outside major centres, is a large water user, and Saskatchewan is home to approximately 30% of world production.

The rise in world potash prices began in 2007, resulting in considerable expansion for all of the existing Saskatchewan potash mines and generated considerable interest from new entrants. SaskWater ensured it had the capacity to meet the additional requirements of existing customers and also completed water supply systems for both the new K+S Potash Canada mine near Bethune, and the BHP Billiton proposed mine near Jansen. SaskWater will also provide technical assistance during the feasibility assessments undertaken by new potash projects.

Potash prices have slowly been trending down since 2011. This has resulted in some potash projects proceeding at a much slower pace than previously contemplated, and in some cases, being indefinitely suspended. However, the longer term outlook for the sector is generally regarded as positive.

SaskWater is working with other agencies in government and private sector project proponents to explore other means to overcome high infrastructure costs. Some examples include industrial parks or corridors where a number of smaller water users could help provide the critical mass necessary for projects to be developed.

In the municipal sector, growth is driven by several factors including the age of existing infrastructure, access to grant funding, population growth, changing regulations, operator availability, and the willingness of civic leaders to partner with others.

Saskatchewan's population has been steadily increasing since 2006, a marked reversal from the previous 10 years when numbers were trending down. This positively impacts the demand for water services.

Municipal leaders are conscious of the tax burden and fees that rate payers are asked to bear, so they look to grant funding to help offset capital costs and keep utility rates down. The availability of grant funding is driven by the strength of federal and provincial revenues and competing demands for expenditures. Historically, infrastructure grant programs have been somewhat sporadic, resulting in periods of high activity followed by periods of low activity for new projects. Only limited new funding has been available in recent years; however, there is optimism across many communities that the priority by the new federal government for infrastructure will translate into more grants and projects moving forward.

There is also a growing level of interest between communities to discuss regional partnerships. This is driven by their aging infrastructure, the high cost of replacing facilities, and the advancing age of certified operators. Some of the challenging discussions that arise are the varying amounts of unused capacity and the remaining life span of existing facilities in differing communities, and consensus on a governance structure.

SaskWater is able to help bridge these issues as an independent operator with a large number of certified staff, investment capacity, and a track record of good customer service by providing safe and reliable water services.



SaskWater's Core Lines of Business

- potable water supply
- non-potable water supply
- wastewater treatment and management
- certified operation and maintenance (COM)
- project management
- water and wastewater training
- remote monitoring
- leak detection

Potable Water Supply

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to rural pipeline groups and businesses.

The majority of SaskWater's municipal customers own and operate their local distribution systems and manage the relationship with their residents. SaskWater provides wholesale water delivery service to the community, which then delivers the service to its residents.

Stand-Alone Systems

SaskWater's mandate enables the corporation to purchase and operate municipal waterworks or to construct new water supply and treatment systems. SaskWater currently owns and operates stand-alone systems in Elbow, White City, Pierceland, Edenwold, Gravelbourg and Cupar.

Regional Systems

For many rural communities, regional water systems are the most cost-effective and sustainable solutions to their water needs.

SaskWater owns and operates the Wakaw-Humboldt and Codette Lake regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network.

Water treatment plants for these two regional systems are located in Wakaw and Melfort. Together these systems supply potable water to 17 communities and several rural pipeline groups.

SaskWater also owns and operates two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries, other commercial businesses, and pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Treatment Corporation, the City of Regina and the City of Moose Jaw, sourced from the Buffalo Pound Treatment Plant, and delivers it to surrounding communities and industries.

In 2015–16, SaskWater delivered 8.7 billion litres of high quality drinking water.

Non-potable Water Supply

SaskWater's non-potable water supply business refers to the delivery of water that is not suitable for human consumption in accordance with applicable regulations.

The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

SaskWater owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and along the Saskatoon Southeast Water Supply system.

In 2015–16, SaskWater delivered 47 billion litres of non-potable water.



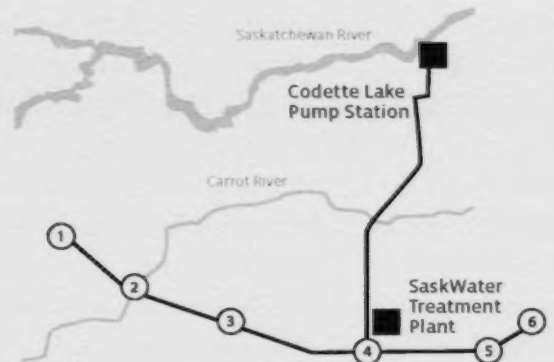
SaskWater owns 935 kilometres of pipeline to supply potable and non-potable water to its customers.

Saskatoon Area: Potable Water Supply System



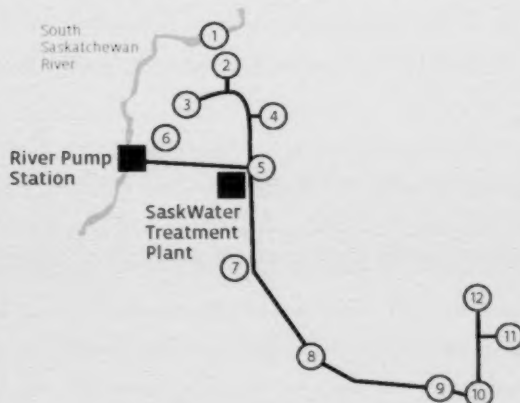
- | | | |
|-------------------|------------------------------------|------------------------------------|
| 1. Hepburn | 9. BizHub Developments Ltd. | 17. Casa Rio/Wood Meadow |
| 2. Hague | 10. Akzo Chemicals | 18. Clavet |
| 3. Osler | 11. Perkins Ag Marketing Inc. | 19. Bradwell |
| 4. Dalmeny | 12. Prairie Pride Chick Sales Ltd. | 20. Elstow |
| 5. Aberdeen | 13. Chemtrade West | 21. Allan |
| 6. Warman | 14. Sunset Estates | 22. Dundurn Rural Water Utility |
| 7. Martensville | 15. Grasswood | 23. Highway 41 Rural Water Utility |
| 8. ERCO Worldwide | 16. Cargill Ltd. | 24. Yellowhead Industrial Park |

Melfort Area: Potable Water Supply System



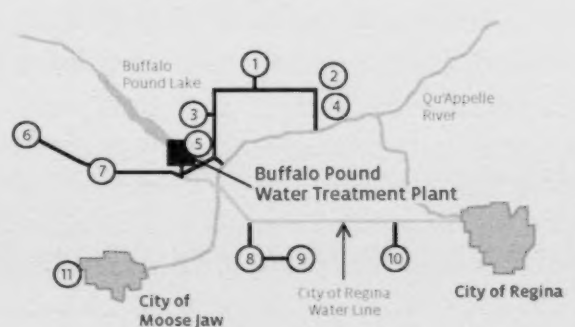
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|----------------------|
| 1. Weldon |
| 2. Kinistino |
| 3. Beatty |
| 4. Melfort |
| 5. Star City |
| 6. Star City Farming |

Wakaw-Humboldt Area: Potable Water Supply System



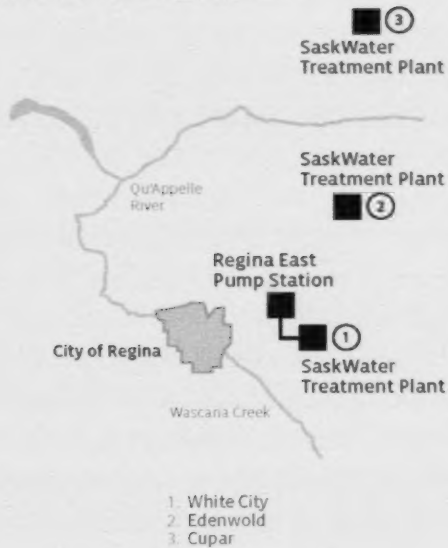
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|----------------------------|-----------------|
| 1. St. Louis | 7. Cudworth |
| 2. Hoey | 8. Bruno |
| 3. St. Isidore-de-Bellevue | 9. Humboldt |
| 4. Domremy | 10. Muenster |
| 5. Wakaw | 11. Anaheim |
| 6. One Arrow First Nation | 12. Lake Lenore |

Buffalo Pound Area: Potable Water Supply System

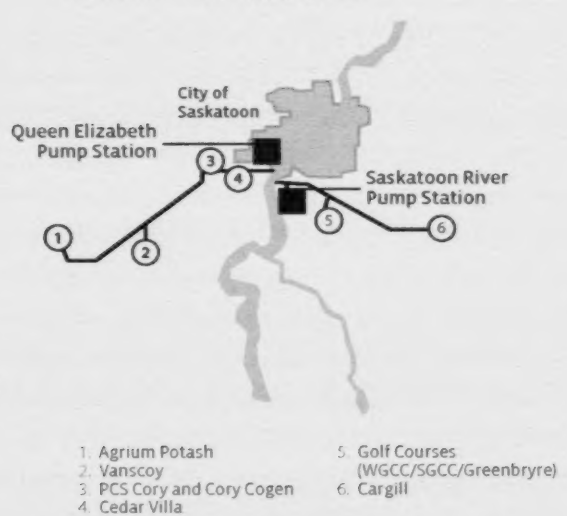


- | |
|--|
| 1. Bethune |
| 2. Arm River Farming |
| 3. Buffalo Plains Cattle Company |
| 4. Disley |
| 5. K+S Potash Canada |
| 6. Marquis |
| 7. Tuxford |
| 8. Yara Belle Plaine Inc. |
| 9. K+S Windsor Salt Ltd. |
| 10. Grand Coulee |
| 11. Caron/Mortlach Regional Public Utility Board |

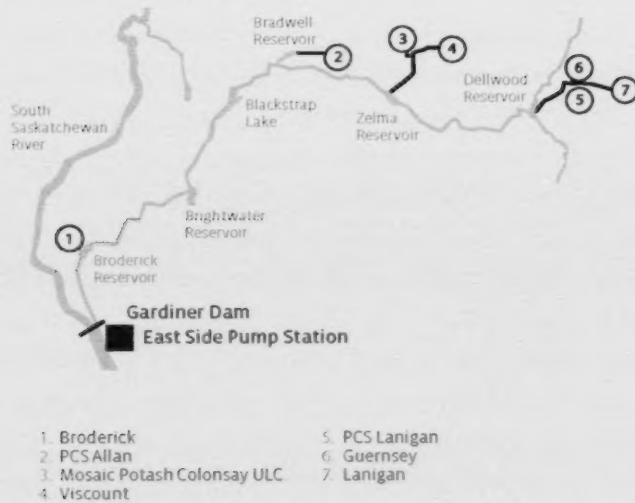
Regina East: Potable Water Supply Systems



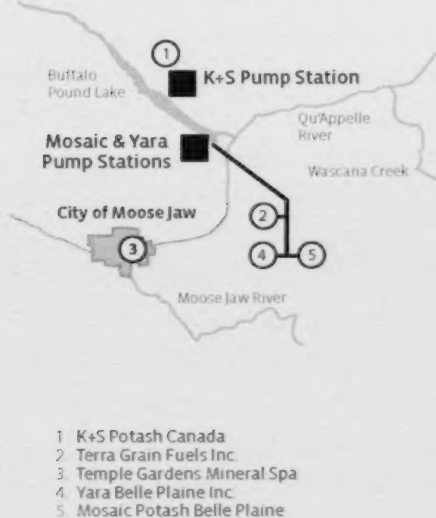
Saskatoon Area: Non-Potable Water Supply System

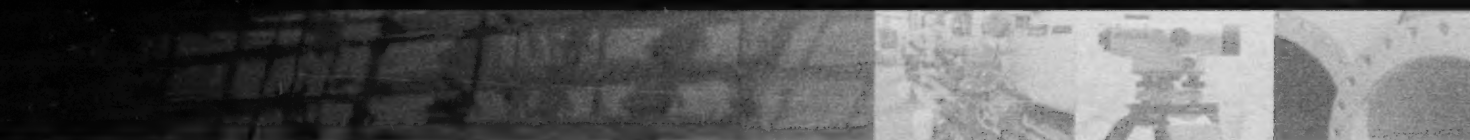


Saskatoon Southeast: Non-Potable Water Supply System



Buffalo Pound Area: Non-Potable Water Supply System





Wastewater Treatment and Management

A long-standing issue in wastewater management is the need for environmentally sustainable wastewater treatment and disposal solutions. We provide solutions ranging from simple lagoon-based treatment to complex mechanical and/or chemically aided treatment systems.

An example of an environmentally sustainable wastewater disposal method is effluent irrigation onto a woodlot. SaskWater's research in this field has led to the development of an effluent disposal process involving a woodlot with zero discharge to the environment.

SaskWater owns and operates wastewater facilities in Nipawin, Pierceland and Fort Qu'Appelle. The Pierceland facility is a stand-alone system. The Nipawin and Fort Qu'Appelle facilities are regional wastewater systems serving multiple customers either through force mains or dump stations for commercial truck haulers.

In 2015–16, SaskWater received and treated 1.3 billion litres of wastewater.

Certified Operation and Maintenance (COM)

SaskWater contracts with 13 communities and rural pipeline groups to provide certified operation and maintenance of their water and wastewater systems, including:

- non-potable water supply
- water and wastewater treatment plants
- treated water storage facilities
- distribution systems
- wastewater collection and disposal

The above services are supervised or performed by certified operators.

We also provide regulatory reporting and consultation, emergency planning, remote monitoring and customer support services.

SaskWater is able to offer the services of its qualified certified operators to communities and rural pipeline groups located near our existing operating centres.

Project Management

SaskWater provides project management services for customers to plan and manage the design and construction of water and wastewater infrastructure projects.

In 2015–16, SaskWater's project management activities continued to support the potash industry as companies investigate water supplies for potential new mines.

SaskWater also plans and manages the design and construction of water and wastewater infrastructure in northern Saskatchewan on behalf of the Ministry of Government Relations. From the Prince Albert office, SaskWater provides ongoing technical advice to northern communities and First Nations for maintenance and expansion of their water and wastewater infrastructure, including responding to community emergencies related to that infrastructure.

Water and Wastewater Training

SaskWater works on behalf of Indigenous and Northern Affairs Canada (INAC) to provide operating training to Saskatchewan First Nations. In 2015–16, SaskWater trained 74 water and wastewater operators at 29 First Nations.

The goal of SaskWater's training program is to assist in providing a safe water supply to residents and to safeguard their valuable water and wastewater infrastructure investment. The program began in 1978, and has evolved over the years to suit the specific water and wastewater operational needs of First Nations communities as they adapt to frequently

changing technology and increasingly stringent regulatory requirements.

Benefits to First Nations communities include:

- enhanced quality of water and wastewater operation
- emergency technical assistance as required
- limited service disruptions and threats to public water quality and supply
- progressive operator development, including certification tutorial support
- annual water consumption records collection and reporting, representation at project management team meetings on behalf of First Nations receiving new facilities or significant facility upgrades and, upon request, participation in relevant stakeholder meetings

Remote Monitoring

Partnering with TransGas (a subsidiary of SaskEnergy), SaskWater currently uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 55 SaskWater and customer owned facilities across the province 24 hours a day, 365 days a year.

SaskWater launched a new service in February 2016 at the Saskatchewan Urban Municipalities Association (SUMA) convention in Regina called ROAM—Remote Oversight and Monitoring. ROAM is an expansion of SaskWater's remote monitoring services. The ROAM service will provide continuous monitoring of water and wastewater facilities for customers who wish to retain both ownership and operation of their systems.

ROAM employs certified operators who can monitor water treatment plants, wastewater treatment plants and distribution systems. Remote monitoring helps SaskWater increase safety, improve service, enhance water quality monitoring and reduce costs.

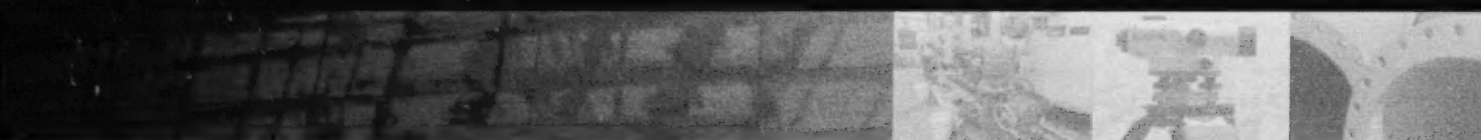
The benefits for the community include providing a higher level of service to residents and customers through constant monitoring and the ability to respond proactively to plant fluctuations and trouble shooting, potentially saving time and money.

The basic requirements are the monitoring hardware and installation. SaskWater will purchase, install and maintain the equipment required to provide the ROAM service to a customer. The cost of the equipment is included in the monthly monitoring fee. The service is available anywhere in Saskatchewan that has SaskTel coverage since the equipment uses the cellular network to transmit data.

Leak Detection

SaskWater provides leak detection services using noise correlator technology to detect subsurface water leaks and conduct leak audits on distribution systems. Our team of highly qualified professionals is trained and equipped to support our customers with this industry best practice for maintenance and asset management.

This service strengthens SaskWater's commitment to provide safe, quality water to Saskatchewan communities as leaks of any size can damage infrastructure, contaminate a water supply, deprive a community of considerable revenue and waste a valuable natural resource.



SaskWater launched a new strategic plan in January 2015 to guide the corporation over the next five to six years. The strategic plan is the roadmap to achieving SaskWater's long-term vision and is founded on the mission, values and corporate goals and objectives. The vision is the guidepost to where the corporation wants to be in the future. The mission describes the corporation's unique purpose and why it exists, and the values are the principles that guide the behaviour of all employees.

Input into the development of the plan came from all levels of the corporation, including the Board of Directors, executive and employees. As a subsidiary of Crown Investment Corporation (CIC), SaskWater aligned its plan with the direction it received from CIC and the Government of Saskatchewan to support the growth and development of the province.

Central to the new strategic plan are SaskWater's customers. The goal of **Customer Driven** promises that SaskWater will provide excellent, high quality customer service to existing and future customers. SaskWater's relationship with its customers is a partnership where SaskWater works with customers to meet their needs. While this goal specifically focuses on the customer, all other goals require an emphasis on improving the service and relationship with customers as well.

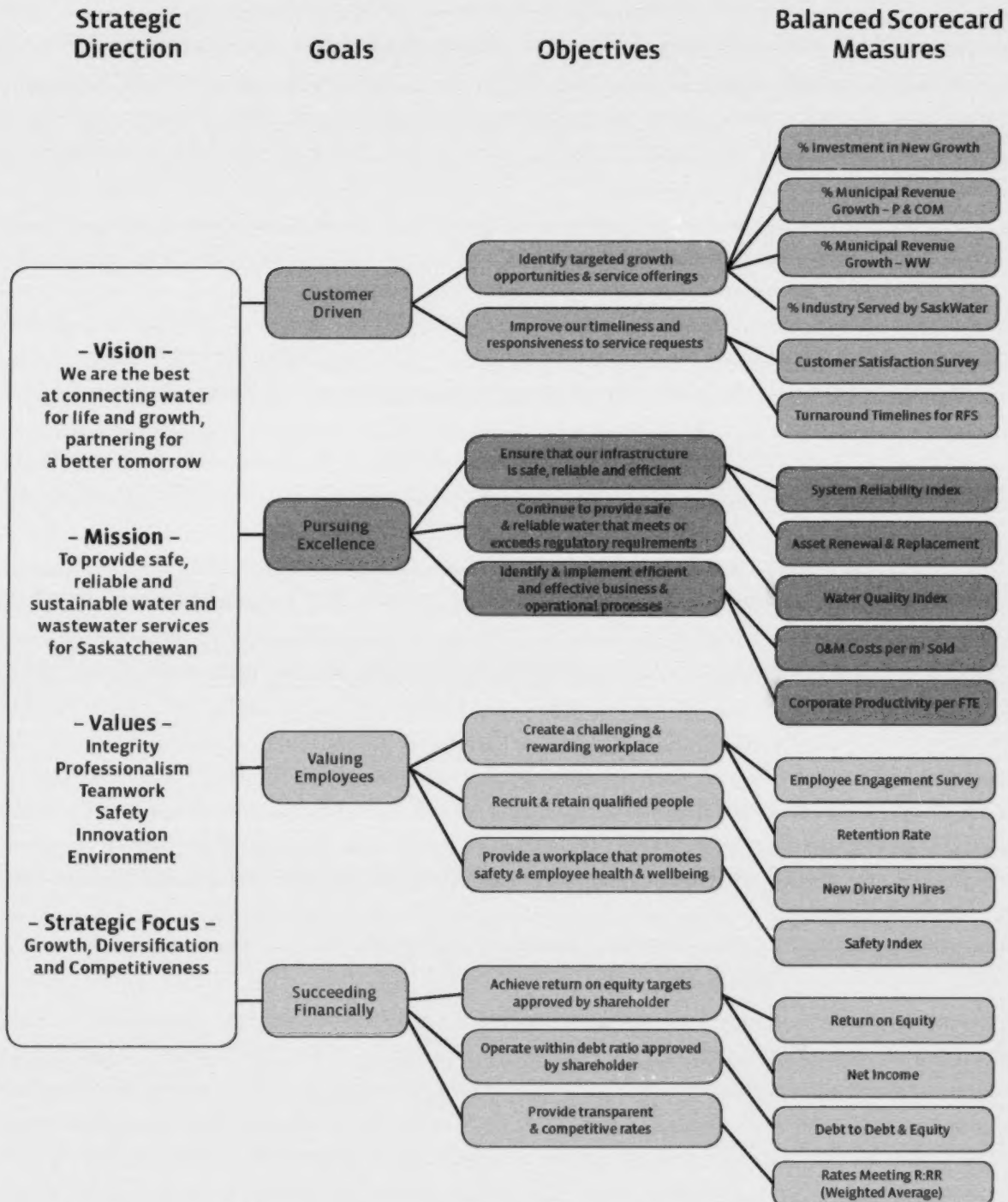
Through **Pursuing Excellence**, SaskWater will deliver efficient and effective services in a socially and environmentally responsible manner.

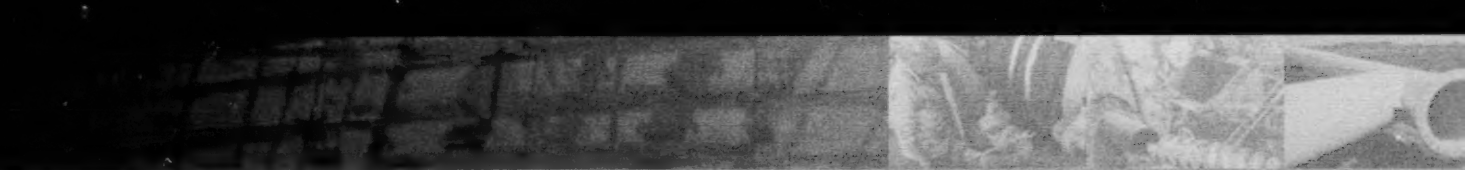
The **Valuing Employees** goal speaks to the importance of providing a safe, supportive and rewarding workplace for employees so that they can excel at their work.

By addressing the first three goals, SaskWater will achieve the **Succeeding Financially** goal to increase shareholder value by maintaining the financial sustainability of the corporation. Each goal is supported by key strategic objectives that describe the areas of focus for the next few years.

SaskWater measures its progress on its strategic goals and objectives through the Performance Management Program and uses a Balanced Scorecard to report the results. The corporate balanced scorecard identifies challenging targets that are to be achieved through the implementation of short and long-term plans. Performance results are reported to CIC quarterly, and SaskWater is accountable to the shareholder for meeting its targets.

Each of the four following sections discusses one of SaskWater's corporate goals and outlines the balanced scorecard targets and results as well as corporate initiatives that support SaskWater's strategic direction.





► CUSTOMER DRIVEN



We are
trustworthy,
we care
and
we deliver

BUILDING GROWTH

The Zelma East Project involved 92 kilometres of pipeline installation.



We are committed to providing exceptional and innovative service to ensure high customer satisfaction. We will demonstrate that we are trustworthy, we care and we deliver.



Above: SaskWater staff including Tim Jansen, Sumith Kahanda, Gary Sears and Brian Sibley join representatives from BHP Billiton and various contractors and consultants to pose for a photo on September 24, 2015, to mark the final pipeline installation. They are standing at the Zelma East Project Future Tee 2 that would enable a connection to a future BHP Billiton possible mine site.

Key Strategic Objectives

Identify targeted growth opportunities and service offerings

Improve our timeliness and responsiveness to service requests

Building Big Infrastructure: The Zelma East Project

Three years after breaking ground on SaskWater's largest construction project in the company's history, the Zelma East Project is almost complete. It involved 92 kilometres of pipeline installation, building a new pump station, booster pump station and meter building and upgrades to 13 kilometres of the Saskatoon Southeast Water Supply system canal. Zelma East will supply non-potable water to BHP Billiton's Jansen mine site.

Tim Jansen, Manager, Major Projects, outlines the accomplishments on the project in 2015–16, with completion of the:

- new pump station
- booster pump station
- meter building
- installation of the pipeline and stage 1 pressure testing
- canal upgrades

At peak construction, there were more than 200 people working on site. The three-year project involved almost 800,000 hours of labour, with one contractor responsible for more than half of the hours.

There is still work to be done, including swabbing the pipeline and project commissioning. Jansen says it was an exciting project to be part of and working with

BHP Billiton as a partner was very helpful. He adds that SaskWater learned from this project and will be a better organization going forward as a result.

"This project gave everyone involved the opportunity to emphasize the importance of safety and to implement the process to achieve a safe and successful outcome. That was rewarding.

"Another challenge was meeting all the participants' expectations, so we emphasized the importance of the linkages between the client, contractors, consultants, land owners, everyone involved, to ensure everyone understood how to move forward," he says.

"Our SaskWater team on this project was really strong. I am very appreciative of the personnel brought together for this project," he adds.

"The senior project supervisor had many years of experience. The senior project engineer has a doctorate and is very detail oriented. The project engineer was very capable of overseeing a lot of different aspects at once. Our project administrator is excellent at recording and tracking the financials. Our operations staff have always been able to provide us with guidance. Since they will be the people running this system, we ensured we received their input from the beginning.

"They all took pride in what they did. They really wanted to see a successful project," Jansen says.

Strategic Objective	Measure	2015 Target	2015 Result (12-mth)	Indicator Light (12-mth)	2015-16 Result (15-mth)	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	2020-21 Target
Identify targeted growth opportunities and service offerings	1 % Investment in New Growth	3.8%	5.0%		5.7%	7%	10%	10%	7%	6%
	2 % Municipal Revenue Growth	6.4%	8.8%		33.2%	16%	25%	34%	51%	71%
	3 % Industry Served by SaskWater	36.4%	36.3%		36.3%	40%	41.4%	42.3%	43.4%	44.3%
	4 Customer Satisfaction Survey	N/A	N/A		N/A	8.50	N/A	8.50	N/A	8.50
Turnaround Timelines for RFS:										
Improve timeliness and responsiveness to service requests	Non-Complex	99	N/A		N/A	94	89	85	80	76
	5 Medium Complex	181	162		162	172	163	155	147	140
	Highly Complex	233	N/A		N/A	222	211	200	190	182
	COM	77	18		18	70	63	56	49	42

SaskWater's *Customer Driven* goal is centred on the premise that customers are important to the corporation and that they deserve excellent, reliable and high quality service. For SaskWater to be successful in growing the business, understanding this is paramount. This goal recognizes that SaskWater must fully understand and meet existing and future customers' needs, such as being timely and responsive to their requests. Two objectives for *Customer Driven* were identified as priorities: identifying targeted growth opportunities and service offerings, and improve timeliness and responsiveness to service requests. The measures are aligned according to each objective for this goal.

% Investment to Support Growth for 2015 shows growth by taking the net capital expenditures and dividing it against SaskWater's property, plant and equipment value for 2013. These projects include new customers looking for water and current customers whose communities/businesses are growing or need additional water services. The result for 2015 was 20% higher than target, where most of the new capital was invested in an upgrade/expansion project.

% Municipal Revenue growth takes into account new revenue growth for the potable, Certified Operation and Maintenance (COM) and wastewater lines of business from new and/or existing municipal customers that have increased volume requirements. % Municipal Revenue growth in 2015 exceeded target, which was largely due to civic growth and drier weather conditions that resulted in an increase in water use.

% Industry Served represents SaskWater's market share in targeted industrial water services for potable and non-potable water. SaskWater met its target for this measure.

SaskWater strives to maintain a high customer satisfaction level. To prevent customer survey fatigue, the corporation measures customer satisfaction levels biennially. The survey did not take place in 2015, and will occur in the 2016–17 fiscal year.

As part of efforts to improve service response time in meeting customer requests, SaskWater is tracking the average number of calendar days it takes to respond to customers on projects categorized as: non-complex; medium-complex; highly complex; and COM. SaskWater's goal is to improve response times by 30% from 2014 to 2020. Timelines are initiated the day a customer submits a completed Request for Service and terminates when a conceptual solution is provided to the customer. SaskWater received several request for services for three out of the four categories. SaskWater met its targeted time frame for the medium category, exceeded the target for the COM category and did not meet the target for the complex category. The time period for projects in the complex category will continue into 2016; therefore, no result was available for 2015.

Legend

-  Exceeded target by 20% or greater
-  On target
-  Slightly off target by up to 20%
-  Off target by greater than 20%
-  Target information not available

Capacity Building in White City

SaskWater continued work on expanding the capacity of the White City water treatment plant in 2015-16.

Construction on this project began in 2014 and is expected to be complete in 2016. The expansion increases the capacity of the plant to serve the town's growing population.

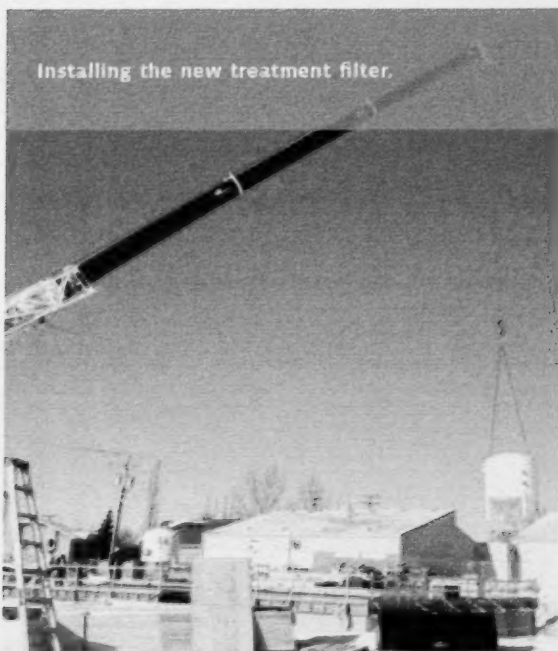
January 2015 began with pouring the concrete for the new reservoir. A crane lifted the new treatment filter into place, and then the walls went up. Commissioning the reservoir took place in June. The 1,700 cubic metre reservoir works in tandem with the existing 1,000 cubic metre reservoir.

Allan Dlugan, Manager, Construction and Maintenance Engineering, is the manager for this project and says another milestone was completing the design for the treatment facility that will double the treatment capacity. SaskWater also discussed with the Town of White City the value of upgrading their distribution system for greater pressure and volume, working closely with them to design upgrades to their pumping infrastructure.

"We partnered with White City on the distribution system to ensure that they have a system they can grow with," he explains.

Using a different approach from previous projects, SaskWater hired two different contractors on this phase of the project: one to construct the building and one for the process equipment. This approach leveraged SaskWater's operations staff as they were much more involved in developing the design for the facility and identifying process equipment and key instrumentation.

"SaskWater's instrumentation and electrical systems personnel and operations staff were heavily involved in developing the process control strategy and electrical works," Dlugan says. "The old plant and the new will integrate very well."





Allan Dlugan, Manager, Construction and Maintenance Engineering, right, checks the plans with one of the consultants.

Building Our Brand

SaskWater continued its efforts to build its brand with strategically placed articles in trade magazines that reach our customer base. Corporate Communications pursued publications for editorial opportunities and wrote six articles in three magazines that reach our primary customer base and professional affiliations.

Four articles appeared in *Urban Voice*, the magazine of the Saskatchewan Urban Municipalities Association (SUMA), and one each in *PotashWorks*, an annual industry publication, and *The Pipeline*, the magazine of the Saskatchewan Water and Wastewater Association (SWWA).

SaskWater was also featured in an issue of the monthly online magazine *Business Elite Canada* and the industry magazine *Process West*.

These articles give exposure to SaskWater as a source of expert information in the water utility industry and generate goodwill and profile for the corporation with current and potential customers. They raise awareness of SaskWater's role in the province, support SaskWater's positive reputation and reinforce SaskWater's brand.



Michelle Gulutzan, Customer Service Representative, and Miles Yeroschak, Manager, Occupational Health and Safety, look over an article about SaskWater in *PotashWorks* magazine.

SaskWater's corporate social responsibility and sustainability (CSR) actions are guided by the *Corporate Social Responsibility and Sustainability Principles* that our Board of Directors approved in 2008. Customer Driven CSR activities include community consultations and our Community Investment program.

Community Consultations

SaskWater conducts community consultations to provide a forum for communities and individuals to learn and ask questions about SaskWater projects that may impact them. Recent community open houses took place in Lumsden, Craven and Melville.

Community Investment

As one of Saskatchewan's commercial Crown corporations, we embrace our social responsibility to make a positive contribution each year to Saskatchewan communities. In 2015-16 we sponsored and/or provided promotional items to 96 events in 31 communities.

One of our strategic areas for community investment has been environmental stewardship and support for our First Nations communities. In 2015-16, we provided support to:

- the Saskatchewan Prairie Conservation Action Plan
- the Building Saskatchewan Green Conference
- the University of Saskatchewan Graduation Powwow
- sponsorship of the Saskatchewan Chamber of Commerce ABEX Awards
- Aboriginal Leaders of Tomorrow

Supporting the communities that we provide service to is important to SaskWater, and in 2015-16 we continued to provide sponsorships to several of our customer communities with a wide range of events including:

- community fundraisers for swimming pools, parks and playgrounds in locations such as the Town of Cupar, City of Melfort and the Town of Allan
- community service fundraisers such as the Wakaw EMS, Moose Jaw Seniors Association and Tisdale 4-H

SaskWater is based in Moose Jaw, and it is important for us to support events and activities where our employees live and work. Our staff takes pride in getting involved with events such as:

- the Festival of Trees and Family First Radiothon that raise funds for the Moose Jaw Health Foundation
- the Sparkle & Shine Salute to Women and PRISM Awards that raise money for the Moose Jaw Transition House
- Moose Jaw Early Bird Lions Club's 10th Annual Duck Derby
- RuBarb Productions



A leader in
operations
and regional
systems by
delivering safe
and
reliable water

BUILDING BRIDGES

Placing the first precast concrete box girder
for the new bridge on the SSEWS canal.



We will be recognized as a leader in operations
and regional systems by delivering safe and
reliable water and wastewater services and
providing innovative solutions to improve
the efficiency, effectiveness and long-term
sustainability of our business and systems.



Key Strategic Objectives

Ensure that our infrastructure is safe, reliable and efficient

Continue to provide safe and reliable water that meets or exceeds regulatory requirements

Identify and implement efficient and effective business and operational processes

Above: Constructing a new bridge deck on the Saskatoon Southeast Water Supply system canal.

Innovative Infrastructure Upgrades on the SSEWS Canal

Water from Lake Diefenbaker flows into the M1 canal, which runs 22.5 kilometres, and then into the Saskatoon Southeast Water Supply (SSEWS) canal for 137 kilometres, supplying Little Manitou Lake and six reservoirs, including Broderick, Brightwater, Blackstrap Lake, Bradwell, Zelma and Dellwood. It provides water for municipal, industrial, recreational, wildlife and agricultural purposes.

The SSEWS canal was built in the 1960s. A condition assessment study in 2012 identified refurbishment needs. SaskWater has been using this study to assist in prioritizing infrastructure replacement projects each year. In 2015–16, we installed five new crossing structures, replacing timber bridges with one concrete pre-cast bridge, one culvert and three dual culverts. The culverts are structural plate corrugated steel pipe.

Looking for innovative solutions, the bridge is one of the first of its kind in western Canada. It uses granular reinforced soil abutments instead of steel or concrete piles to support the bridge deck. The biggest advantage of this approach is in the cost savings: the bridge installation cost 25% less than other methods.

SaskWater also installed fish screens at the Blackstrap and Bradwell reservoirs. Work on the canal takes place between September and April when the canal is not in use, so there is limited environmental impact on the waterway or to customer service.

*The biggest advantage
of this approach is
in the cost savings.*

Refurbishment plans for 2016–17 include replacing the surface liner on the four kilometre Bradwell diversion canal and replacing three more crossing structures. The existing surface liner is past its useable life and replacing it will eliminate

the possibility of soil salinity and reduce the operating costs on this section of canal.



Strategic Objective	Measure	2015 Target	2015 Result (12 mth)	Indicator Light (12 mth)	2015-16 Result (15 mth)	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	2020-21 Target
Ensure our infrastructure is safe, reliable and efficient	6 System Reliability Index	19.69	19.98	○	20.00	19.69	19.69	19.69	19.69	19.69
	7 Asset Renewal and Replacement	5.8%	4.8%	○	5.5%	3%	2%	2%	2%	2%
Continue to provide safe and reliable water that meets and exceeds regulatory requirements	8 Water Quality Index	0.977	0.934	○	0.935	0.977	0.977	0.977	0.977	0.977
Identify and implement efficient and effective business and operational processes	9 O&M Costs per m ³ Sold	\$0.36	\$0.36	○	\$0.36	\$0.40	\$0.44	\$0.45	\$0.47	\$0.52
	10 Corporate Productivity per FTE (\$000)	\$391	\$405	○	\$491	\$414	\$426	\$441	\$478	\$620

The purpose of SaskWater's *Pursuing Excellence* goal is to deliver safe and reliable water and wastewater services to customers. Water is an essential resource, critical for life, growth and a sustained quality of life. SaskWater's customers and the Government of Saskatchewan have an expectation that the corporation supports responsible growth. Three objectives were identified as priorities for the corporation: ensuring safe, reliable and efficient infrastructure; safe and reliable water that meets and exceeds regulatory requirements; and implement efficient and effective business and operational processes. Measures for these objectives have been aligned accordingly.

System Reliability Index tracks the reliability of SaskWater's systems and services. This measure incorporates four key factors: unplanned service interruptions, length of interruptions, compliance with interruption procedures and water loss. Each individual factor is given a score out of one, with one being a perfect score. Overall, the 2015 result for System Reliability Index was on target, where SaskWater either met or exceeded each of the factors that make up the index. SaskWater exceeded its Water Loss Factor as it has been upgrading several of its aging systems, specifically in the Saskatoon service area, to address water leaks.

Asset Renewal speaks to the importance of upgrading existing assets to ensure efficient and reliable service to customers. For the next five years, SaskWater is targeting to invest two to five percent of its total asset book value towards upgrading and maintaining aging assets to ensure reliable service for customers. In 2015, SaskWater was at the upper end of this range, but lower than the planned result. The main factor for the lower result was that a planned upgrade was cancelled after a cost benefit analysis didn't support proceeding.

The corporation works hard to ensure customers receive high quality drinking water. The Water Quality Index includes four factors that gauge the water quality status of SaskWater's 17 potable water systems. The factors chosen for this measure are considered the most critical and are tested more frequently. They include turbidity, trihalomethanes (THM), chlorine, and bacteriological analysis. Similar to the System Reliability Index, each individual factor is given a score out of one. In 2015, SaskWater encountered issues with THM levels associated with transmission systems where SaskWater purchases water from the Buffalo Pound Water Treatment Plant. Despite the THM factor, the overall result met the target.

As a Crown corporation, SaskWater recognizes the importance of having an efficient workplace and using resources wisely. SaskWater is committed to operate in an efficient manner by lowering costs and/or improving productivity without compromising the safety and reliability of services. O&M costs per m³ measures direct operating costs over total volume sold. The 2015 result for O&M Costs per m³ Sold met the target for 2015. This target was achieved from a combination of controlling internal costs and from an increase in volume sold. SaskWater has been implementing several efficiency initiatives to improve service and manage operational costs.

The Corporate Productivity per FTE measure tracks internal efficiencies by using a ratio of earned revenue to the number of FTEs in the organization. An FTE is all paid hours worked, including overtime hours. The 2015 result for this measure is \$405,000, which met the target.

System Reliability Index Factor Results			
	2015 Factor Target	2015 Result (12-mth)	2015-16 Result (15-mth)
Unplanned Service Interruption Factor (USIF)	30	10	17
Length of Interruption Factor (LIF)	93.75%	93.30%	95.45%
Planned Service Interruption Factor (PSIF)	95%	100%	100%
Water Loss Factor (WLF)	3%	2.15%	1.46%

Water Quality Index Factor Results			
	2015 Factor Target	2015 Result (12-mth)	2015-16 Result (15-mth)
Chlorine	0.998	0.999	0.999
Turbidity	0.998	0.999	0.999
Bacteriological Analysis	1.0	1.0	1.0
Trihalomethanes (THM's)	0.913	0.737	0.743

Legend

-  Exceeded target by 20% or greater
-  On target
-  Slightly off target by up to 20%
-  Off target by greater than 20%
-  Target information not available



Completing new projects, expanding existing systems and refurbishing aging assets are critical to SaskWater's growth and commitment to provide safe, reliable and sustainable water and wastewater services.

Efficiency Reporting

For the 15-month period 2015–16, SaskWater saved a total of \$1,393,000 from a variety of corporate-implemented efficiency initiatives:

- Savings of approximately \$249,000 through facilities optimization initiatives including adjusting water supply pumps to reduce energy consumption during water transmission, the use of energy efficient devices, reduced water loss on water supply systems and increased automation within facilities.
- Savings of approximately \$986,000 in the areas of operations, maintenance and administration through cost reductions in training, travel, repairs and maintenance and overtime.

- Savings of approximately \$158,000 through procurement-related activities. SaskWater has been intensifying efforts in achieving the best value from purchases while reducing procurement costs.

To support efforts to improve efficiencies in the Crown sector, SaskWater has implemented Crown collaboration initiatives. In 2015–16, SaskWater partnered with the Water Security Agency to operate the provincial emergency potable water and wastewater toll free line, continued to utilize SaskEnergy's remote monitoring facilities and participated with SaskEnergy on the employee leadership training program.

Corporate Social Responsibility and Sustainability Initiatives

Corporate social responsibility activities that fall under SaskWater's goal of Pursuing Excellence include:

- promoting the value of water through conservation messaging in customer handbills, on the corporate website, in print and online advertising, and sponsorships.
- a Greenhouse Gas Committee that meets regularly to review potential initiatives to reduce greenhouse gas emissions. The committee has implemented initiatives including:
 - reducing the size of vehicles to reduce environmental footprint
 - changing inefficient lighting to more efficient LED lighting
 - implementing a pump optimization program to lower power consumption by reducing average operating pressures in water supply lines
- taking an active approach to minimizing water loss on its water supply systems. The target is a water loss rate of 3% or less. (See the System Reliability Index measure in the Balanced Scorecard on page 29.)
- participating in corporate recycling of paper, plastics, electronics and batteries.



Provide an
environment
that is safe,
inclusive,
respectful and
supportive

BUILDING COMMITMENT

Jay Rockey, left, and Marty Shaw are both Senior Project Supervisors in SaskWater's Engineering unit. Below: Jenny Gadd, Administrative Assistant, and Candice Hennenfent, Financial Rate Analyst, both work in SaskWater's head office in Moose Jaw.

We provide employees with opportunities and challenges in an environment that is safe, inclusive, respectful and supportive to maximize their potential.



Key Strategic Objectives

Create a challenging and rewarding workplace

Recruit and retain qualified people

Provide a workplace that promotes safety and employee health and well-being

Fighting wildfires – contributing to the Civil Service Response Team

While wildfires raged through parts of northern Saskatchewan in the summer of 2015, several SaskWater staff were involved in emergency services related to the fires.

On the front lines were Cole Paproski and Dean Senga in La Ronge, Matthew Bittner from Moose Jaw and Ward Perozuk from Saskatoon.

Cole and Dean were our operators on duty at the La Ronge water treatment plant when the situation was most critical and the communities were evacuated. Both were designated as essential services personnel by the emergency coordinators as it was imperative to have the water supply system up and running if the fire got into the town.

Most of us can only imagine the stress of being in a situation where virtually everyone in town is told to leave for safety reasons and you are asked to stay back. While it may bring some peace of mind knowing your own family and loved ones are safe, it undoubtedly added stress to family members knowing Cole and Dean were potentially in harm's way. Physical separation from family can be hard enough, let alone when there is a risk of danger attached.

Matthew and Ward participated in the forest fire fighting efforts at La Ronge as they are both members of the Civil Service Response Team. They received training earlier in the year so that they could be

available whatever the emergency might be. Both were called up when the fire began getting closer to the community.

The consideration of their supervisors in releasing them to go and the 'extra lifting' of staff in their home units who had to cover for them while they were away shows the dedication and team effort of SaskWater's employees. Sheldon Jacobson, Manager of District Operations, maintained ongoing contact with Cole and Dean to provide whatever assistance was needed, and to let them know they were not being left on their own. Several other managers were involved in considering risks to staff and the facilities and contingency planning.

Overall the contribution of the public service was huge, with hundreds of staff from different Ministries and Crowns playing a role to fight fires, assist evacuees, maintain essential services and handle a myriad of issues.

SaskWater employees remained at the La Ronge water treatment plant to ensure the water supply was up and running if the fire reached the town.



Strategic Objective	Measure	2015 Target	2015 Result (12 mth)	Indicator Light (12 mth)	2015-16 Result (15 mth)	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	2020-21 Target
Create a challenging and rewarding workplace	11 Employee Engagement Survey	73%	72%		72%	N/A	74%	N/A	75%	N/A
	12 Retention Rate	92%	96%		93%	92%	92%	92%	92%	92%
Recruit and retain qualified people	13 % New Diversity Hires	29%	42%		41%	30%	30%	30%	30%	30%
Provide a workplace that promotes safety and employee health and well-being	14 Safety Index	2.11	0.07		0.06	1.91	1.57	0.92	0.60	0.59

The *Valuing Employees* goal emphasizes the importance of SaskWater's employees and a workplace that is challenging, rewarding and supportive. Three areas identified as priorities for this goal include: create a challenging and rewarding workplace; recruit and retain qualified people; and provide a workplace that promotes safety and employee health and well-being. SaskWater uses four measures to determine success in this area.

The Employee Engagement Survey is used to track employee engagement and to determine if management initiatives have improved it. In 2015, SaskWater conducted the Employee Engagement Survey through Talent Map, with results showing that 72% of employees are engaged. The result is four percent lower than the benchmark for small organizations that have taken the same survey through Talent Map. Although the result is slightly lower (1%) than target, it is not considered to be a large gap. The results indicate that SaskWater employees are highly engaged, but there is still room for improvement.

The Retention Rate tracks resignations/terminations and monitors trends that help inform workforce planning. Targets for this measure were set using benchmarks and historical data, and the targets for this measure are considered to be at the higher end of the benchmark range. SaskWater met the 2015 target, with a 96% retention rate.

SaskWater recognizes the benefits of creating a diverse workforce. The % of New Diversity Hires measures new hires from four diversity categories (women in under-represented & management groups, Aboriginal people, people with disabilities, and visible minorities). SaskWater's 2015 result is 42%, which is well above the target for the year.

SaskWater's Safety Index tracks recordable injury rate, lost-time injury frequency rate and safety completion rate. This measure focuses on providing a safe work environment and tracks progress toward the long-term goal of zero workplace injuries. In 2015, SaskWater exceeded expectations with zero recordable injuries and zero lost-time injuries. SaskWater also met its safety training requirements necessary to prevent injuries and improve knowledge of safe work practices. The result of 0.07 is better than the 2015 target of 2.11.

Safety Index Results			
	2015 Factor Target	2015 Result (12 mth)	2015-16 Result (15 mth)
Total Recordable Injury Rate (TRIR)	4.37	0.0	0.0
Long-Term Injury Frequency Rate (LTIF)	1.75	0.0	0.0
Safety Training Completion Rate (STCR)	0.20	0.20	0.18

Legend

-  Exceeded target by 20% or greater
-  On target
-  Slightly off target by up to 20%
-  Off target by greater than 20%
-  Target information not available

Employees

At SaskWater, employees are the corporation's most important asset and provide a valuable connection to our customers, industry contacts and the general public.

SaskWater has approximately 128 employees working out of headquarters in Moose Jaw and offices in Regina, Saskatoon and Prince Albert, as well as the locations identified on the systems map on page 4.

SaskWater operates in a unionized environment; 79 of our permanent employees are members of the UNIFOR Union, Local 820.

Diversity

At SaskWater, we understand the importance of a diverse workforce to support our operations and help us continue to be an innovative and forward-looking corporation. Diversity helps us achieve excellent customer relations.

SaskWater supports a representative workforce. Strategies include attraction, retention, training and promotion of the Saskatchewan Human Rights Commission representative categories: women in under-represented positions, visible minorities, Aboriginal people, and persons with disabilities.

In 2015–16, members of these designated equity groups represented 25% of SaskWater's workforce, which is consistent with recent years. To further support diversity, we continue to deliver an *Aboriginal Cultural Awareness Program* (ACAP) to SaskWater employees. This year, five of our employees attended this program, bringing the percentage of staff who have taken this training to 91%.

Our employees also attend *Respect in the Workplace* interactive workshops. Employees develop an understanding of how beliefs and values shape behaviour, and they learn how to bridge differences in the workplace. Nine of our employees attended this training in 2015–16, bringing total staff who have taken this training to 91%, as well.

The *Building Successful Working Relationships* workshop is the next step in creating a respectful workplace environment. Ten SaskWater employees participated in this workshop in 2015–16 as a supplement to *Respect in the Workplace*.

Training

SaskWater encourages and supports training in the areas of ongoing education, professional development and occupational health and safety for employees. Training is offered to upgrade employee knowledge and skills. This increases organizational effectiveness by raising overall employee performance and engagement. In 2015–16, 84 employees took part in training initiatives.

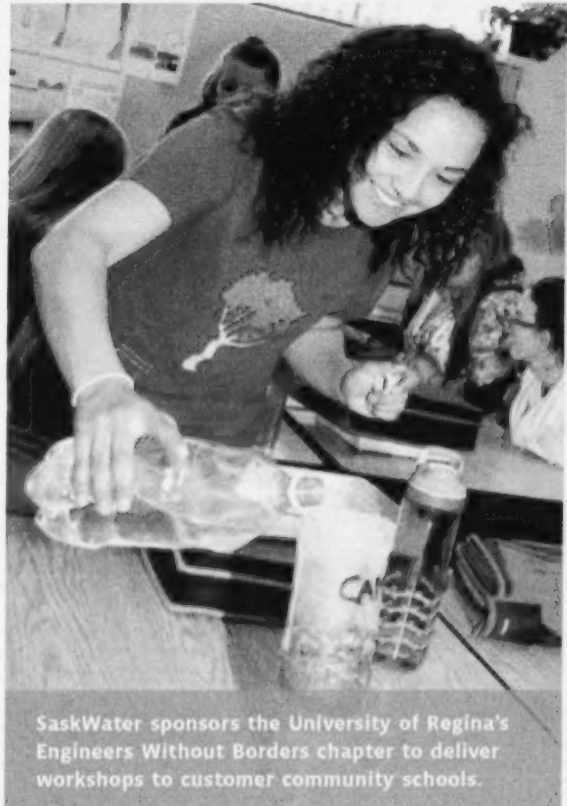
Education

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to their taps or supporting students in their post-secondary education. Investing in post-secondary education is investing in SaskWater's future employees and the future workforce of Saskatchewan.

SaskWater's scholarships, co-op terms and internships show our commitment to recruiting promising young talent in Saskatchewan. SaskWater supports the Gradworks program for recent post-secondary graduates, providing a variety of internships each year. We provided two co-op and three Gradworks placements in 2015–16.

SaskWater continued to offer financial awards for students in the Water Resources Engineering Technology program at Saskatchewan Polytechnic. Four awards totalling \$10,000 are available—two \$2,500 awards for first year students and two \$2,500 awards for second year students. One award for each year is open to all students; the second is intended for Aboriginal students to encourage post-secondary education for First Nations.

Furthering education, building relationships and providing knowledge in water technology are key motivators for employees to provide safe and reliable water service to our customers. SaskWater continues to support the Saskatchewan Water and Wastewater Association, Western Canada Water, the Saskatchewan Association of Rural Water Pipelines, the Municipal Infrastructure Conference and the Saskatchewan Economic Development Association.



SaskWater sponsors the University of Regina's Engineers Without Borders chapter to deliver workshops to customer community schools.



SaskWater strives to ensure its employees and contractors are following proper safety protocol.

Succeeding at Safety

In 2015–16 SaskWater expanded its Safety Index to include safety training as a scorecard measure and successfully exceeded the measure. Details of the Safety Index can be found in the Balanced Scorecard on page 34.

Other 2015–16 initiatives included sourcing new fire retardant Personal Protective Equipment and pilot testing new working alone software to identify when a co-worker is in distress and getting them the help they require in a timely fashion. “Although SaskWater is a relatively small organization, our employees are spread out across the province and often working in the field alone,” said Miles Yeroschak, Manager, Occupational Health and Safety.

“We are continuously exploring ways to ensure our co-workers’ safety through hazard recognition and response. By developing a culture of looking out for one another, we can all enjoy the things we are passionate about, away from work.”

Looking forward, SaskWater is focused on developing and reviewing several safety programs.

- Review and revise the existing Confined Space Entry program
- Continue development of a working alone program
- Develop a chlorine safety program

A major initiative for 2016–17 will be developing an incident investigation and management program to take a behavioural approach to reporting near misses and incidents.

“Rather than just being aware, there needs to be an understanding of the what and why an incident occurred so a proactive approach can be taken to make corrections,” said Yeroschak.

“Whether you have all of your safety policies and processes in place or not, there is always room to improve. At SaskWater we are continually looking for ways to improve our current best practices.”

Corporate Social Responsibility and Sustainability Initiatives

Corporate social responsibility activities under SaskWater’s goal of Valuing Employees include developing a positive, engaged and representative workforce through:

- supporting a representative workforce through a percentage of new diversity hires metric in the balanced scorecard
- participation in the Leadership Development Training program

- corporate support for events such as the Terry Fox Run and Anti-Bullying Day
- supporting employees who volunteer their own time for external philanthropic activities such as the Moose Jaw Health Foundation Radiothon and the Festival of Trees



Committed to sustainable financial growth

BUILDING INVESTMENT

Brad Dunlop, Account Manager, and Chris Peterson, Supervisor, SCADA Operations, discuss the technology behind SaskWater's new service ROAM. Below: The Zelma East project reached substantial completion in 2015–16.



We are committed to sustainable financial growth that provides value to our shareholder, while offering competitive rates and supporting provincial growth through strategic investments and partnerships.



Key Strategic Objectives

Achieve return on equity targets approved by shareholder

Operate within debt ratio approved by shareholder

Provide transparent and competitive rates

Above: John Conway, Director, Engineering, Kim Cave, Manager, Centralized Services, Ingrid Newton, Manager, Policy and Planning, Brad Dunlop, Account Manager, Akin Awujoola, Policy and Planning Analyst (Gradworks) at head office in Moose Jaw

2015–16 Results

Earnings for 2015–16 are \$7.4 million, including an unrealized loss on debt retirement funds of \$0.3 million.

(\$ Millions)	Jan-Dec 2015	Jan-Mar 2016	2015-16	2014
Earnings	\$6.5	\$0.9	\$7.4	\$5.5

Total revenues increased by \$4.2 million or 9.5% to \$48.0 million for the first 12 months of the current period, up from \$43.9 million in 2014, plus \$11.0 million was generated during the first three months of 2016 in the current period, bringing the total revenue for 2015–16 to \$59.0 million.

Revenues from water sales and treatment for the first 12 months of 2015–16 increased by 9.3% over 2014. Increased revenues were largely related to increased water consumption at several potash mines in the province as they responded to opportunities in their market, and cavern development activities at the K+S Potash Canada mine expected to come on stream in late 2016. In addition, municipal customer volumes increased due to a combination of dry conditions early in the spring and summer, coupled with continued community growth.

Revenues from other services include project management engineering, providing certified operators to customers who retain ownership of their infrastructure, and training and support to a number of First Nations communities. Revenue from these services increased 15.1% in the first 12 months of 2015–16 compared to 2014 largely due to an increase in the level of project management work for potential new potash entrants.

(\$ Millions)	Jan-Dec 2015	Jan-Mar 2016	2015-16	2014
Water Sales and Treatment	\$36.7	\$8.5	\$45.2	\$33.6
Services	7.5	1.3	8.8	6.5
Other	3.8	1.2	5.0	3.8
Total Revenue	\$48.0	11.0	\$59.0	\$43.9

Total expenses increased by \$1.8 million or 4.7% to \$40.2 million for the first 12 months of the current period, up from \$38.4 million in 2014, plus \$9.8 million of expenses were incurred during the first three months of 2016 in the current period, bringing the total for 2015–16 to \$50.0 million.

Strategic Objective	Measure	2015 Target	2015 Result (12-mth)	Indicator Light (12-mth)	2015-16 Result (15-mth)	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	2020-21 Target
Achieve return on equity targets approved by shareholder	15 Return on Equity	9.1%	12.0%		13.7%	10.3%	8.8%	8.1%	9.7%	15.7%
	16 Net Income	\$4,745	\$6,441		\$7,362	\$6,098	\$5,427	\$5,491	\$7,599	\$13,870
Operate within debt ratio approved by shareholder	17 Debt to Debt & Equity	49.9%	44.8%		45.7%	47.8%	57%	60.7%	61.1%	60.7%

The goal of *Succeeding Financially* demonstrates SaskWater's commitment to improve its financial position so that it can meet multiple commitments including investing in new growth, upgrading aging assets, controlling debt and providing a dividend to the shareholder. Two areas of priorities for succeeding financially include achieving the return on equity targets approved by the shareholder and operating within the debt ratio approved by the shareholder. Three measures are used to monitor these objectives.

Net Income and Return on Equity are higher than the target by more than 20%. This is from a combination of increased revenues from project management and water sales, as well as efforts to reduce overhead and operating costs to improve the bottom line.

Debt to Debt & Equity met the 2015 target. SaskWater had higher than expected earnings as noted above, and lower than anticipated capital spending, which resulted in lower than expected debt levels.

Legend

-  Exceeded target by 20% or greater
-  On target
-  Slightly off target by up to 20%
-  Off target by greater than 20%
-  Target information not available

Operations Maintenance and Administration (OM&A) expense for the first 12 months of 2015–16 increased by \$536,000 as compared to 2014. Of this amount, approximately \$512,000 of additional expenses were incurred as a result of the increased workload required to generate the additional project management revenue as compared to 2014. Taking this into account operating expenses remained flat period over period. Considerable management effort was expended in order to achieve this result in a period of spending restraint.

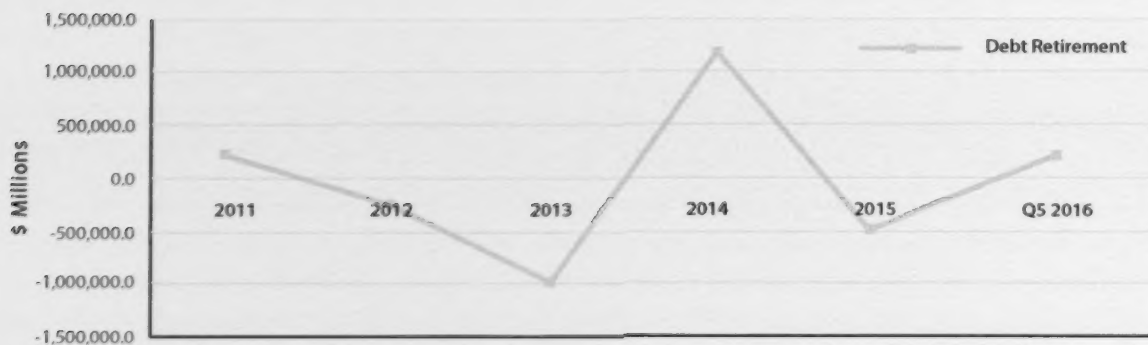
Bulk water purchases are amounts paid to buy potable water from other treatment plants and then distributed to SaskWater customers, in lieu of SaskWater building its own water treatment plant. This is largely paid to the City of Saskatoon, with some purchases also from the Buffalo Pound Water Treatment Administration Board, the City of Regina and the City of Moose Jaw. Bulk water purchases during the first 12 months of 2015–16 were \$1,055,000 or 16.4% higher than 2014, primarily due to rate increases applied by other treatment plant operators and increased use in those areas.

Salaries and benefits during the first 12 months of 2015–16 increased by \$248,000 or 2.1% as compared to 2014. The increase was a combination of salary adjustments and resourcing adjustments to meet service needs.

(\$ Millions)	Jan-Dec 2015	Jan-Mar 2016	2015-16	2014
OM&A	\$11.9	\$2.6	\$14.5	\$11.4
Bulk Water	7.5	1.7	9.2	6.4
Salaries & Benefits	12.0	3.1	15.1	11.7
Amortization	8.2	2.2	10.4	8.2
Saskatchewan Taxes	0.6	0.2	0.8	0.7
Total Operating Expenses	\$40.2	\$9.8	\$50.0	\$38.4

Net finance expense for the first 12 months of 2015–16 are \$1.4 million more than 2014. Of this amount, \$1.6 million is due to unrealized changes in the market value of debt retirement funds. In the first 12 months of 2015–16, SaskWater reported unrealized losses of \$0.5 million, which increased finance expense, while in 2014 unrealized gains of \$1.2 million reduced finance expense. Most of the remaining savings in net finance expense is attributable to realized trading gains on debt retirement funds held by the Ministry of Finance for the benefit of SaskWater.

(\$ Millions)	Jan-Dec 2015	Jan-Mar 2016	2015-16	2014
Market (Gains) / Losses	\$(0.5)	\$0.1	\$(0.4)	\$1.2
Net Finance Expense	\$(1.4)	\$(0.2)	\$(1.6)	\$(0.0)



Capital Investment

In the first 12 months of 2015–16, \$45.6M was spent on capital projects including new construction and expansion, existing infrastructure refurbishment and asset management programs. SaskWater invested \$12.5M from its own source funds and the remainder was received from customers as contributions in aid of capital. A number of the projects were initiated in prior years and include:

- Design and construction of the Zelma East Non-Potable Water Supply System to supply water for the BHP Billiton Jansen potash mine;
- Design and construction of the Saskatoon Potable Water Supply System – East – Steel pipeline replacement project. This project is replacing 8 kilometres of aging steel pipeline with a ductile iron pipeline as part of SaskWater's ongoing asset management program;
- Design and construction of the White City Potable Water Supply System – White City Water Treatment Plant Reservoir Expansion to increase potable water storage and treatment capacity to accommodate growth in White City;
- Design and construction of structure replacements in the Saskatoon Southeast Water Supply system as part of SaskWater's ongoing asset management program; and,
- Design and construction of an expansion to our Echo Regional Wastewater System's Evaporation Cell to add additional capacity and alleviate emergency high-water levels.

Key Financial Data

	15 months ended Mar 31, 2016	12 months ended Dec 31, 2015	12 months ended Dec 31, 2014
Total Assets	\$328.9M	\$330.6M	\$316.4M
Return on Equity	13.7%	12.0%	11.3%
Debt Ratio	45.7%	44.8%	45.0%
Dividends Declared	\$1.929M	\$1.739M	N/A

Liquidity and Capital Resources

SaskWater secures capital investment dollars through a combination of internally generated cash from operations and from debt arranged through the Government of Saskatchewan, Ministry of Finance. The maximum short-term borrowing and maximum total borrowing are established by Order in Council as follows:

Financing	Authorized	Outstanding at March 31, 2016
Short Term (Promissory Notes)	\$30M	\$12.999M
Total (including short term)	\$130M	\$62.417M

2016/17 Outlook

SaskWater expects total revenues from all lines of business to be \$51.9M, which is an increase of \$3.9M (8.1%) over the first 12 months of 2015–16, as a result of continued growth from municipal potable customers as well as additional industrial customer revenues.

The corporation has budgeted a net income of \$6.1M for 2016–17.

SaskWater anticipates declaring a dividend for the 2016–17 fiscal year equal to 25% of profits, or approximately \$1.5M.

SaskWater expects to invest a maximum of \$13.3M net (\$20.3M gross, with the difference made up from customer contributions in aid of capital) in water and wastewater infrastructure projects in the province. Investments include:

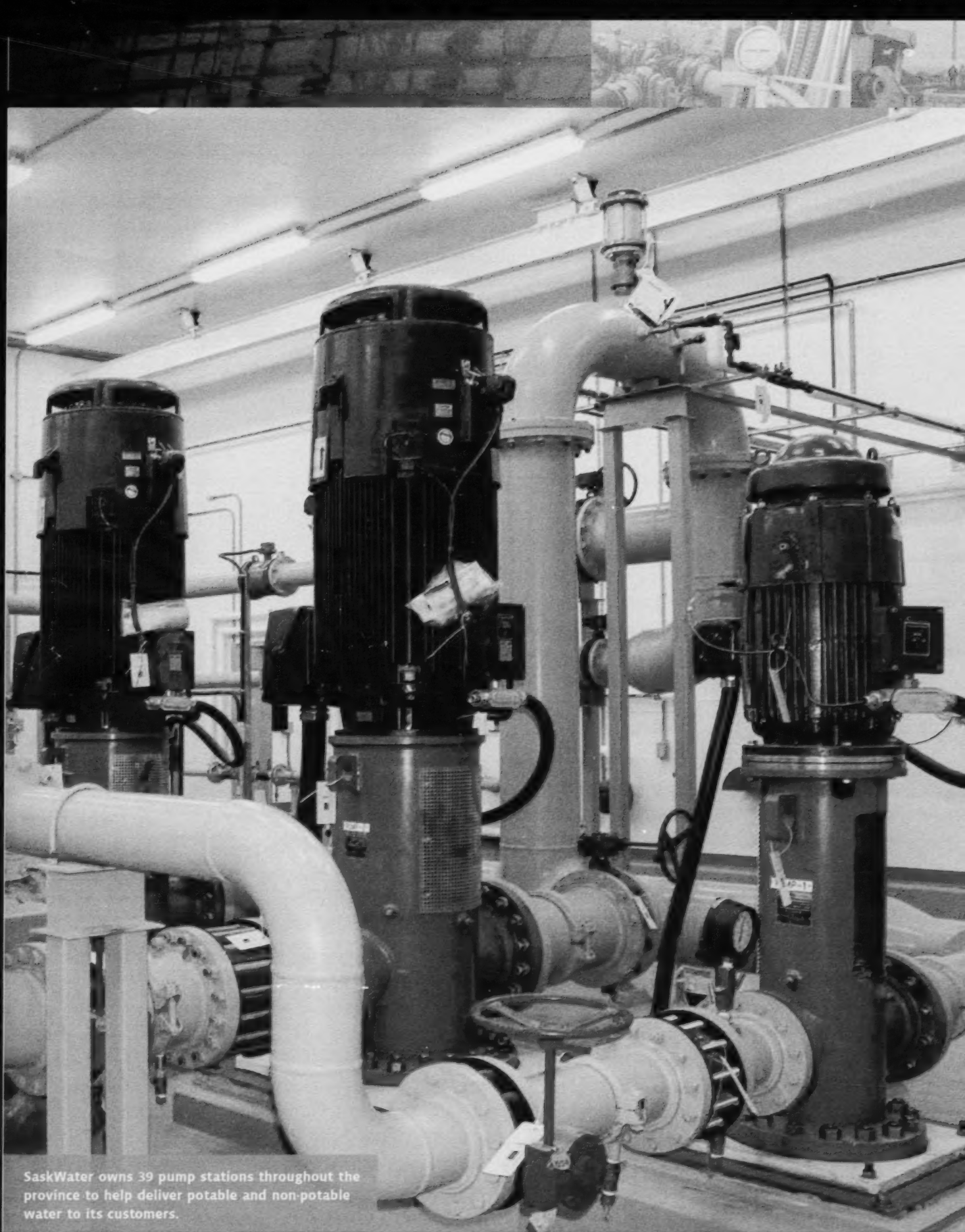
- SSEWS Zelma East (BHPB) Pump Station, Booster Station and Pipeline commissioning work
- SSEWS Canal Improvements – Relining of the Bradwell Diversion Canal
- Wakaw – Humboldt Regional Water Treatment Plant Backup Power Supply
- Wakaw – Humboldt Regional Water Treatment Plant Treated Water Storage Expansion
- Nipawin Regional Wastewater System Forcemain Replacement
- Initial work on the Elbow Raw Water Intake and Pipeline Replacement
- Initial work on a proposed new Melville Water Treatment Plant
- General Asset Management Projects
- Depending on the outcome of grant applications SaskWater may be doing preliminary engineering on several projects for new and existing customers

Future Accounting Changes

The following standards and amendments to standards have been issued but are not effective for the year ended March 31, 2016:

- IAS 1 Presentation of Financial Statements, effective January 1, 2016
- IAS 7 Statement of Cash Flows (disclosure initiative), effective January 1, 2017
- IFRS 9 Financial Instruments, effective January 1, 2018
- IFRS 15 Revenue from Contracts with Customers, effective January 1, 2018
- IFRS 16 Leases, effective January 1, 2019

The extent of the impact of these new standards and amendments to standards is not known at this time.



SaskWater owns 39 pump stations throughout the province to help deliver potable and non-potable water to its customers.

Risk Management

Providing safe, reliable and sustainable water and wastewater services is subject to risks that can affect the achievement of SaskWater's strategic goals and objectives. SaskWater manages risk through an Enterprise Risk Management (ERM) program designed to minimize the impact of risks and enable the corporation to achieve business goals and performance objectives. To ensure consistent risk management, SaskWater has implemented an Enterprise Risk Management Policy that provides a general strategy to manage risks and establishes the roles and responsibilities throughout the organization.

The Executive Management Committee is responsible for identifying risks that impact the corporation's strategic objectives and for implementing mitigation measures to manage those risks. The Board of Directors provides oversight and stewardship to the corporation and ensures that an acceptable risk management program is in place. The Board receives an annual report that provides a broad overview of the top risks and how they are being mitigated.

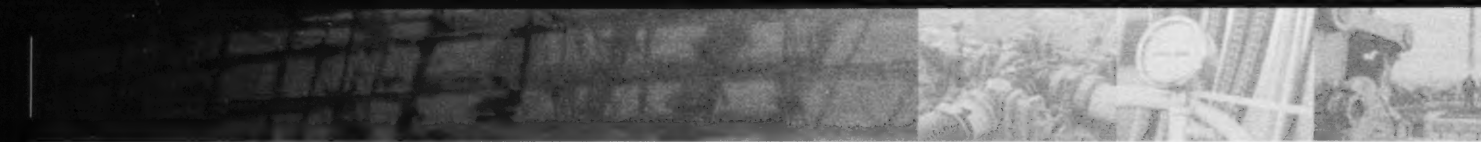
The following discussion outlines the top 2015–16 corporate risks and the strategies to deal with them.

Financial Dependence on Industrial Customers

SaskWater has been focusing on industrial growth to capitalize on opportunities that occur infrequently. However, this growth has resulted in the corporation having a greater revenue dependence on the industrial sector, leaving SaskWater vulnerable to industrial market swings. A large portion of the company's revenues are concentrated in a few large industrial customers, and SaskWater's revenues are susceptible to fluctuations in volume usage due to the nature of SaskWater's volumetric based rates.

The strategies that SaskWater uses to mitigate this risk include:

- an annual review of potable and non-potable rates using an industry standard cost of service methodology
- identifying minimum purchase requirements in contracts to offset the effect of volatility in service needs
- reinforcing a corporate culture to identify and implement cost efficient operations
- pursuing business development activities that focus on diversifying the customer base in other areas, with an emphasis on leveraging existing regional water supply systems



Changing Competitive Market

Competition for water and wastewater services comes primarily from two sources: locally from large municipalities or externally from private water corporations.

Larger municipalities often provide regional services to adjacent communities as a revenue generation strategy or to achieve cost savings from regionalization.

Water companies from outside the province have been looking to participate in the market for water supply and wastewater services to capitalize on the potential opportunities occurring in the province. From an industrial perspective, there have been several new industries exploring their potential to expand in Saskatchewan, such as the development of new mines. From a municipal perspective, the availability of grant dollars from federal and provincial governments and a number of larger projects has led to interest from external parties who are also experienced in this area.

Strategies that SaskWater is pursuing to meet the impact of competition include:

- a targeted business plan
- focusing on enhanced customer service and response plans
- reinforcing a corporate culture to identify and implement cost efficient operations
- obtaining feedback from customers regarding customer relations and service
- increasing the corporate profile and maintaining a presence at key customer events

Changing Regulatory Environment

SaskWater's water and wastewater operations are subject to stringent regulatory requirements that govern the environment, health and safety and quality of water provided to customers, water allocation rights and the manner in which SaskWater collects, treats, discharges and disposes of wastewater.

The federal government continually reviews water and wastewater regulations, and these changes are generally adopted by the provincial regulator. Regulatory requirements for wastewater have become more stringent, requiring different timelines to do upgrades depending on the condition of water treatment facilities.

Regulatory changes in other areas of legislation may also impact SaskWater's corporate, operational and engineering activities. Any changes to legislation regarding greenhouse gas emissions, labour relations or corporate business functions could have some material impact.

Mitigation measures to manage this risk include:

- maintaining a solid working relationship with the provincial and federal regulatory agencies
- actively participating in consultation reviews of potential regulatory changes
- designing facilities with the potential for future regulatory changes in mind
- completing the capital budget in conjunction with assessments for regulatory compliance
- on-going training of certified operators to ensure facilities are operated in accordance with regulations

Availability of people

The provision of water services requires a highly trained and committed workforce with a wide range of skills. The success of the corporation depends on the individual and collective contributions of its employees. The loss of the services of any experienced employee or the inability to hire and retain experienced employees could harm the business, its financial position or impede operations of the company.

The growing Saskatchewan economy has resulted in a competitive market which has increased the pressures of retention and recruitment of staff. For example, provincially, there is a shortage of qualified operators as the number of new students entering the operator program is significantly lower than the number of individuals retiring. Attracting staff to rural areas, including Moose Jaw, presents a challenge as many prefer to pursue job opportunities in the larger centres of Saskatoon and Regina.

SaskWater manages this risk by:

- promoting its commitment to training staff
- recruiting youth through the co-op student and Gradworks programs
- maintaining a competitive remuneration package
- having a commitment to a safe work environment
- implementing an employee performance management system designed to link corporate objectives with individual work plans and to provide constructive feedback on performance
- implementing succession planning, including cross training opportunities for staff

Availability of capital for growth, expansion, refurbishment and upgrades

SaskWater has been in a growth phase over the past several years which has increased the requirement to add new capital and upgrade existing assets. Relative to other Crown corporations, SaskWater is a small organization and has been challenged with addressing all capital needs associated with growth.

At this time, SaskWater's debt ratio is well below the long term 60/40 target approved by Crown Investments Corporation. SaskWater is pursuing several new opportunities, and if they can all be secured, the corporation will be near the debt target over the next five years.

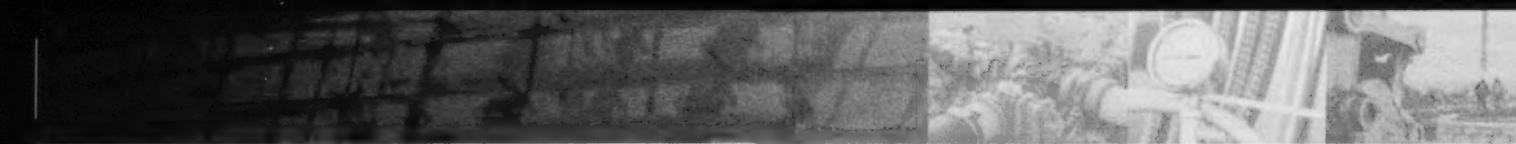
SaskWater manages this risk by:

- undertaking an annual review of multi-year capital plans and debt projections
- prioritizing growth in key areas and allocating resources accordingly
- reviewing with customers their request for service and volume requirements
- applying corporate business policies to guide capital investment decisions

Service Interruptions and Failures

Water and wastewater works are subject to potential service interruptions, such as asset failures, which could impact customer satisfaction and the corporation's reputation and financial position.

SaskWater has systems and assets including water and wastewater treatment facilities and/or equipment, pipelines, pump stations and booster stations. Some of these assets may require replacement due to their age and/or condition. Aging assets are expensive to maintain, operate and replace and have the potential to result in service interruptions if not maintained properly.



SaskWater's water and wastewater works are subject to other operational risks including mechanical failure, accidents, storms, power failure, and other *force majeure* events. Any of these situations will result in service interruptions.

Service interruptions can have an impact on both SaskWater and its customers. Customers run the risk of having no water for consumption or production purposes. Where there are extended service interruptions, customer satisfaction will be significantly impacted. With any service interruption, SaskWater runs the risk of losses to revenue, and where asset failures occur, repair costs could be substantial.

Strategies in place to mitigate these risks include:

- Asset management system to proactively manage asset refurbishment
- Increased capital spending on asset refurbishment for all of SaskWater's systems, particularly for those systems that require critical asset upgrades
- Emergency response plans in place for individual facilities
- Vulnerability assessments, including site security
- Contact procedures to notify customers in cases of service interruptions
- Remote monitoring 24 hours a day, 365 days a year, to provide instant alarms in case of problems
- Systems designed with some redundancy to minimize down time
- Third-party system audits every five years to identify potential issues
- Customers are encouraged to have water storage reserves to meet their needs in cases of service interruptions. In extreme circumstances, water may be hauled from other locations
- Presence of liability insurance

Information Systems and Data Management

Information Systems are critically important in supporting all the business processes at SaskWater. SaskWater currently receives information technology (IT) services from another provincial government agency; however, that agency is not in the business of providing IT services. Many of SaskWater's systems and data are not integrated in a way that enhances productivity or promotes collaboration. Weaknesses have also been identified regarding disaster recovery capability. Significant IT failures could lead to loss of data and could negatively impact SaskWater's reputation, operations, financial position and earnings.

To mitigate this risk, SaskWater:

- developed an IT strategy and implementation plan, and
- will begin implementing the strategy in 2016

Occupational Health and Safety

SaskWater's operations staff are exposed to a variety of safety risks, including confined spaces, working with hazardous chemicals and working with high voltage electrical facilities where water is located. If SaskWater does not provide adequate safety measures, such as appropriate internal procedures, training and safety equipment, staff will be at risk. Further, SaskWater's contractors and engineering staff are exposed to construction safety risks during the construction of water supply systems. SaskWater is responsible for ensuring that all safety requirements are being met. Where safety measures are not being met, SaskWater runs the risk of regulatory fines, negative impacts to reputation or finances, and/or litigation.

SUCCEEDING FINANCIALLY



In 2015-16, SaskWater delivered 55.7 billion litres of non-potable and potable water to customers throughout Saskatchewan.



SaskWater manages this risk through:

- the Occupational Health and Safety program which is guided by a series of policies and procedures that outline safety requirements such as personal protective equipment
- Occupational Health and Safety committees, managed by a dedicated Occupational Health and Safety professional, to identify corporate health and safety requirements of staff and contractors

Contamination of Potable Water Supplies

Water is a fundamental requirement for life, and there is a high inherent risk to the public's health if contamination of water supplies were to occur. Contamination of water supplies could result in multiple health issues, severe illness and, in the worst case scenario, death.

Contamination can result from factors such as inadequate or inappropriate treatment processes, failure to maintain appropriate levels of residual chlorine in water supplies, or external contaminants entering potable water systems.

Consequently, potable water is a highly regulated resource, and any issues require urgent responses. If a contamination were to occur, services might be either suspended or reduced until the contamination is cleared.

SaskWater's operations are regulated with stringent water treatment standards and controls covering quality of treated water; the number, frequency and form of water quality testing; and mandatory improvement to the water treatment processes if required. SaskWater strives to meet or exceed the regulatory requirements for treatment on all of its potable water supply systems to ensure the health and safety of customers.

Other mitigation strategies include:

- a corporate Water Quality Policy, whereby the corporation is required to meet or exceed provincial water quality regulations at its owned water treatment and supply facilities and Certified Operation and Maintenance (COM) sites
- extensive water quality testing and reporting
- ensuring system operators meet or exceed the regulatory requirements for education and training
- working closely with the regulatory agencies regarding SaskWater's water works infrastructure and participating in consultations about potential future regulatory changes
- a remote monitoring system that is operated 24 hours a day, 365 days a year, to augment manual operations and provide instant alarms in case of problems
- procedures to notify customers about precautionary drinking water advisories or boil water orders
- researching, testing and implementing new technologies and techniques to improve the quality of source and drinking water
- Quality Control and Quality Assurance and Emergency Response plans are in place
- day to day management oversight of facilities

Corporate Social Responsibility and Sustainability Initiatives

Corporate social responsibility activities under SaskWater's goal of Succeeding Financially include achieving accountable and transparent governance and long-term financial stability:

- To achieve accountable and transparent governance, SaskWater reviewed the Board of Directors' Terms of Reference to ensure that they are efficient, effective and address best practices for small organizations
- To address long-term financial stability for the corporation, SaskWater has:
 - adopted a cost-of-service rate methodology. Cabinet approved a 2015 and 2016 multi-year rate adjustment that recognizes customers' desire for advance notice regarding rates
 - implemented efficiency initiatives to manage inflationary cost increases
 - cost reductions and deferred spending to help address government fiscal challenges
 - participated in Crown collaboration efforts to identify services and resources that can be shared to reduce overall Crown costs.

Key Financial Data					
Years	Total Comprehensive Income	Revenue	Total Assets	Return on Average Equity	Debt Ratio
2015-16*	\$ 7.4M	\$ 59.0M	\$ 328.9M	13.7%	45.7%
2015	\$ 6.4M	\$ 48.0M	\$ 330.6M	12.0%	44.8%
2014	\$ 5.5M	\$ 43.9M	\$ 316.4M	11.3%	45.0%
2013	\$ 3.5M	\$ 42.3M	\$ 223.9M	8.0%	52.9%
2012	\$ 3.0M	\$ 41.8M	\$ 186.4M	7.5%	53.9%
2011	\$ 3.5M	\$ 34.2M	\$ 179.3M	9.4%	57.6%

* 2015-16 data is for the 15-month period January 1, 2015, to March 31, 2016.

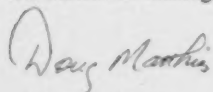
Key Operational Data				
Years	Total Customer Accounts	Total Sales Volume (cubic metres)	Kilometres of Potable and Non-Potable Pipeline	Full Time Equivalent Employees
2015-16* Q5	411	11.7M m ³	935	120.0
2015	411	45.8M m ³	899	118.4
2014	406	38.0M m ³	865	115.5
2013	406	40.1M m ³	876	111.9
2012	402	40.7M m ³	862	105.4
2011	395	35.2M m ³	860	101.0

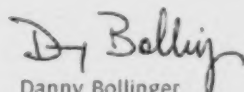
Management's Report on Internal Control over Financial Reporting

I, Doug Matthies, the President and Chief Executive Officer, and I, Danny Bollinger, Director, Financial Services and Chief Financial Officer, certify the following:

- a. That we have reviewed the financial statements included in the Annual Report of SaskWater. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of March 31, 2016.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskWater do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That SaskWater is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskWater has designed internal controls over financial reporting that are appropriate to the circumstances of SaskWater.
- d. That SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of March 31, 2016, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,


Doug Matthies
President and CEO
May 19, 2016


Danny Bollinger
Director, Financial Services and Chief Financial Officer

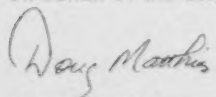
Management's Responsibility

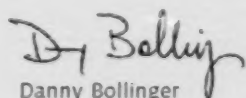
Management has prepared the financial statements of the Corporation in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte LLP, the Corporation's external auditors, have examined the March 31, 2016, financial statements and their report follows. The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,


Doug Matthies
President and CEO
May 19, 2016


Danny Bollinger
Director, Financial Services and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Water Corporation, which comprise the statement of financial position as at March 31, 2016, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the fifteen month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at March 31, 2016, and its financial performance and its cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink that reads "Debitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Professional Accountants

May 19, 2016
Regina, Saskatchewan

Statement of Comprehensive Income

for the period ended

(thousands of dollars)

	15 months March 31, 2016	12 months December 31, 2014
Revenue (note 4)		
Water sales and treatment	\$ 45,162	\$ 33,574
Services	8,794	6,485
Other	5,032	3,794
	<u>58,988</u>	<u>43,853</u>
Expenses		
Salaries and benefits	15,124	11,735
Operations, maintenance and administration	14,488	11,393
Depreciation of property, plant and equipment	10,336	8,177
Bulk water purchases	9,224	6,419
Saskatchewan taxes	826	641
	<u>49,998</u>	<u>38,365</u>
Net income before the following	8,990	5,488
Finance income	1,607	1,895
Finance expense	(3,251)	(1,898)
Net finance expense (note 5)	(1,644)	(3)
Net income	7,346	5,485
Other comprehensive (income) loss	16	(18)
Total comprehensive income	\$ 7,362	5,467

See accompanying notes

Statement of Financial Position

as at

(thousands of dollars)

Assets

	March 31, 2016	December 31, 2014
Current Assets		
Cash (note 6)	\$ 7,192	\$ 11,747
Trade and other receivables (note 7)	9,097	29,215
Prepaid expenses and inventories	1,091	642
	17,380	41,604
Investment – debt retirement funds (note 8)	14,769	16,989
Property, plant and equipment (note 9)	296,724	257,790
	\$ 328,873	\$ 316,383

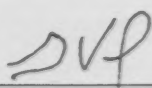
Liabilities and Province's Equity

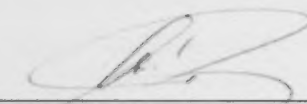
Current liabilities		
Trade and other payables (note 10)	\$ 8,536	\$ 21,913
Notes payable (note 11)	12,999	20,128
Infrastructure deposits (note 12)	5,390	19,099
Dividends payable	190	–
Current portion of deferred revenue (note 12)	3,943	3,020
Current portion of provisions (note 13)	253	134
Current portion of long-term debt (note 14)	–	2,407
	31,311	66,701
Deferred revenue (note 12)	189,777	160,232
Provisions (note 13)	1,263	1,502
Long-term debt (note 14)	49,418	36,293
Employee benefits (note 15)	470	454
	272,239	265,182
Province's equity		
Equity advance (note 16)	8,700	8,700
Retained earnings	47,934	42,501
	56,634	51,201
	\$ 328,873	\$ 316,383

Commitments and Contingencies (note 18)

See accompanying notes

on behalf of the Board:


Chair


Director

Statement of Changes in Equity

for the period ended

(thousands of dollars)

Province's equity	Retained Earnings	Equity Advances	Total
Balance, December 31, 2013	\$ 37,034	\$ 8,700	\$ 45,734
Total comprehensive income (12 months)	5,467	–	5,467
Balance, December 31, 2014	42,501	8,700	51,201
Total comprehensive income (15 months)	7,362	–	7,362
Dividends	(1,929)	–	(1,929)
Balance, March 31, 2016	\$ 47,934	\$ 8,700	\$ 56,634

See accompanying notes

Statement of Cash Flows

for the period ended

(thousands of dollars)

	15 months March 31, 2016	12 months December 31, 2014
Operating activities		
Net income	\$ 7,346	\$ 5,485
Items not affecting cash from operations:		
Depreciation of property, plant and equipment	10,336	8,177
Impairment of assets	44	85
Amortization of deferred revenue	(4,277)	(3,178)
Amortization of provisions – onerous contracts	(249)	(130)
Employee benefits	32	10
Net financing expense	1,644	3
Gain on disposal of property, plant and equipment	(26)	(244)
Change in non-cash working capital items:		
Trade and other receivables	20,118	(7,947)
Prepaid expenses and inventories	(449)	213
Trade and other payables	(13,385)	8,097
Infrastructure deposits	(13,709)	16,212
Deferred revenue	34,745	70,943
Interest paid	(2,272)	(1,844)
Interest received	15	19
Cash provided by operating activities	39,913	95,901
Investing activities		
Property, plant and equipment expenditures	(49,403)	(81,178)
Proceeds on disposal of property, plant and equipment	224	514
Cash used in investing activities	(49,179)	(80,664)
Financing activities		
Proceeds from long-term debt	15,525	—
Repayment of long-term debt	(4,807)	—
Repayments of notes payable	(7,129)	(5,113)
Debt retirement fund installments	(1,536)	(2,609)
Retirement fund redemptions	4,397	—
Dividends paid	(1,739)	—
Cash provided by (used in) financing activities	4,711	(7,722)
Change in cash	(4,555)	7,515
Cash, beginning of period	11,747	4,232
Cash, end of period	\$ 7,192	\$ 11,747

See accompanying notes

Notes to the Financial Statements

March 31, 2016

1. General information

The Saskatchewan Water Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office and principal place of business is 200-111 Fairford Street East, Moose Jaw, SK, S6H 1C8.

The Corporation was established on July 1, 1984, under the authority of *The Water Corporation Act* which remained in effect until September 30, 2002. On October 1, 2002, *The Saskatchewan Water Corporation Act* was proclaimed.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

The principal activity of the Corporation is to construct, acquire, manage or operate water facilities and to provide services in accordance with any agreements that it enters into pursuant to *The Saskatchewan Water Corporation Act*.

2. Basis of preparation

Statement of compliance

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on May 19, 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments that are accounted for according to the financial instrument categories defined in Note 3(m).
- Provisions defined in Note 3(e).
- Employee benefit obligations defined in Note 3(i).

Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

Change of year end

The Corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period will consist of fifteen (15) months ending March 31, 2016. Information included in these financial statements represent the fifteen (15) months of the current fiscal period as compared to the twelve (12) month period ending December 31, 2014, as a result are not entirely comparable.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation – continued

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the accounting policy in Note 3, and the following notes:

- Note 9 – depreciation of property, plant and equipment
- Note 12 – deferred revenue and infrastructure deposits
- Note 13 – provisions
- Note 15 – measurement of employee benefits
- Note 18 – commitments and contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Inventories

Maintenance materials and treatment supplies inventory are recorded at the lower of weighted average cost and net realizable value. The net realizable value of inventory is the estimated market price for the same or similar items. Materials and supplies are charged to inventory when purchased and then expensed or capitalized when used.

b) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for those projects that are under construction for a period greater than six months. Assets under construction are recorded as in progress until they are available for use, at which time they are transferred to property, plant and equipment.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected in net income for the period.

Notes to the Financial Statements

March 31, 2016

3. Significant accounting policies – continued

c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income on a straight-line or diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The depreciation rates used for asset classes are as follows:

Property, plant and equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance equipment and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

d) Impairment

i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Corporation considers evidence of impairment for receivables at a specific asset level. All individual receivables are assessed for specific impairment.

In assessing the individual impairments, the Corporation takes into account information related to each individual customer's current receivable position and any other factors related to the customer that are known to allow management to make estimates as to the collectability of each specific receivable.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

3. Significant accounting policies – continued

d) Impairment – continued

ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. Where a reasonable and consistent basis can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense. Currently the only provision recognized relates to onerous contracts.

f) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on the assets associated with that contract.

Notes to the Financial Statements

March 31, 2016

3. Significant accounting policies – continued

g) Government grants

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in net income on a systematic basis over the useful life of the asset.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided, net of discounts and sales taxes. Revenue from the rendering of services is recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Customer contributions are received from customers, generally in the form of cash, to assist in the construction of assets to provide services to the contributing customers. Prior to the commencement of construction, these amounts are recorded as infrastructure deposits. As construction occurs, these amounts are transferred to deferred revenue.

When completion of the construction is determined to be a separately identifiable service, these amounts are recognized directly into net income. When completion of construction is not determined to be separate from the ongoing supply or services, these amounts are transferred to deferred revenue and recognized in net income over the term of the contract with the customer. If the contract does not specify a period or evergreens, the revenue shall be recognized over a period no longer than the useful life of the related assets used to provide the ongoing service.

i) Employee benefits

ij) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

iii) Defined benefit retirement allowance plan

The Corporation's obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. At each year-end, the future benefit is actuarially determined using the projected benefit method. Any actuarial gains or losses are recognized in other comprehensive income (loss) and the Corporation will transfer any actuarial gains or losses from other equity to retained earnings in the year it is recognized in other comprehensive income (loss).

3. Significant accounting policies – continued

j) Lease payments

Payments made under operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

k) Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method.

l) Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, Crown Investments Corporation of Saskatchewan. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, i.e. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the Corporation, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 3(g)).

m) Financial Instruments

i) Non-derivative financial assets

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in net income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income. The Corporation has classified debt retirement funds as financial assets at fair value through profit or loss.

Notes to the Financial Statements

March 31, 2016

3. Significant accounting policies – continued

m) Financial Instruments – continued

i) Non-derivative financial assets – continued

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash

Cash includes short-term investments with original maturities of three months or less. Bank indebtedness when incurred, forms a part of the Corporation's cash management and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation does not have any assets classified as held-to-maturity.

ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Other liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation does not have any financial liabilities classified as fair value through profit or loss.

n) New standards and interpretations not yet adopted

The following standards or amendments to standards have been issued but are not effective for the 15 months ended March 31, 2016, that may have an impact on the financial statements:

Standards or amendments to standards	Effective Date
IAS 1 Presentation of Financial Statements	January 1, 2016
IAS 7 Statement of Cash Flows (disclosure initiative)	January 1, 2017
IFRS 9 Financial Instruments	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases	January 1, 2019

The extent of the impact of these new standards and amendments to standards is not known at this time.

4. Revenue

	15 months March 31, 2016	12 months December 31, 2014
Water sales and treatment	(Thousands)	
Potable water supply	\$ 21,779	\$ 16,322
Non-Potable water supply	22,590	16,601
Wastewater treatment	793	651
	<u>45,162</u>	<u>33,574</u>
Services		
Certified operations & maintenance	1,958	1,546
Project management	5,251	3,608
Northern project management	680	593
Operator training	887	719
Leak detection	18	19
	<u>8,794</u>	<u>6,485</u>
Other		
Amortization of customer contributions	3,992	2,950
Amortization of government grants – capital related	285	228
Miscellaneous revenue	755	616
	<u>5,032</u>	<u>3,794</u>
	<u>\$ 58,988</u>	<u>\$ 43,853</u>

Notes to the Financial Statements

March 31, 2016

5. Finance income and expenses

	15 months March 31, 2016	12 months December 31, 2014
	(Thousands)	
Finance Income		
Debt retirement fund earnings	\$ 996	\$ 647
Positive changes in fair value of debt retirement funds	596	1,229
Other finance income	15	19
	<u>1,607</u>	<u>1,895</u>
Finance expenses		
Interest expense on short-term debt	209	198
Interest expense on long-term debt	2,067	1,643
Negative changes in fair value of debt retirement funds	951	—
Unwinding of discount on provisions	129	110
Other interest expense	3	3
Borrowing costs capitalized to qualifying assets	(108)	(56)
	<u>3,251</u>	<u>1,898</u>
Net finance expense	\$ (1,644)	\$ (3)
Interest capitalization rate	<u>0.10%</u>	<u>0.10%</u>

6. Cash

Cash consists of cash available for current purposes and restricted use cash. Restricted use cash is only available for a specific capital project as it relates to an infrastructure deposit agreement and will be drawn upon as actual expenses are incurred.

	March 31, 2016	December 31, 2014
	(Thousands)	
Cash available for current purposes	\$ 1,999	\$ 2,030
Restricted use cash	5,193	9,717
	<u>\$ 7,192</u>	<u>\$ 11,747</u>

7. Trade and other receivables

	March 31, 2016	December 31, 2014
	(Thousands)	
Trade receivables	\$ 5,025	\$ 15,847
Accrued receivables	4,131	13,430
Other receivables	18	11
	9,174	29,288
Allowance for doubtful accounts	(77)	(73)
	<u>\$ 9,097</u>	<u>\$ 29,215</u>

The Corporation's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 20.

8. Investment – debt retirement funds

Under conditions attached to the Canada Pension Plan Investment Board long-term debt issues from the Province of Saskatchewan's General Revenue Fund (GRF), the Corporation is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investments, referred to as debt retirement funds, are administered by Saskatchewan's Ministry of Finance. The investments in debt retirement funds are held by the Province of Saskatchewan. The yield on the investments was 13.8% for the 15 months ended March 31, 2016, (13.8% for 2014). The changes in the carrying amount of debt retirement funds are as follows:

	March 31, 2016	December 31, 2014
	(Thousands)	
Debt retirement funds, beginning of period	\$ 16,989	\$ 12,504
Installments	1,536	2,609
Redemptions	(4,397)	—
Earnings	996	647
Change in fair value of debt retirement funds	(355)	1,229
Debt retirement funds, end of period	<u>\$ 14,769</u>	<u>\$ 16,989</u>

Debt retirement fund installments due in each of the next five years are as follows:

	(Thousands)
2016/17	\$ 494
2017/18	418
2018/19	418
2019/20	322
2020/21	322
	<u>\$ 1,974</u>

Notes to the Financial Statements

March 31, 2016

9. Property, plant and equipment

	Buildings	Water Facilities	Maintenance & Office Equipment	Assets under Construction	Land	Total
Cost	(Thousands)					
Balance at December 31, 2013	\$ 2,712	\$ 214,284	\$ 4,795	\$ 42,747	\$ 1,734	\$ 266,272
Additions	97	28	430	80,679	—	81,234
Transfers	50	4,444	139	(4,633)	—	—
Disposals	—	(601)	(448)	—	—	(1,049)
Balance at December 31, 2014	2,859	218,155	4,916	118,793	1,734	346,457
Additions	128	35	1,010	48,338	—	49,511
Transfers	41	31,479	—	(31,520)	—	—
Disposals	—	(83)	(271)	—	—	(354)
Balance at March 31, 2016	\$ 3,028	\$ 249,586	\$ 5,655	\$ 135,611	\$ 1,734	\$ 395,614
Depreciation and impairment losses						
Balance at December 31, 2013	\$ 1,527	\$ 76,409	\$ 3,148	\$ —	\$ —	\$ 81,184
Depreciation	161	7,582	434	—	—	8,177
Impairment adjustment	—	85	—	—	—	85
Disposals	—	(494)	(285)	—	—	(779)
Balance at December 31, 2014	1,688	83,682	3,297	—	—	88,667
Depreciation	213	9,549	574	—	—	10,336
Impairment adjustment	—	44	—	—	—	44
Disposals	—	(80)	(77)	—	—	(157)
Balance at March 31, 2016	\$ 1,901	\$ 93,195	\$ 3,794	\$ —	\$ —	\$ 98,890
Carrying amounts						
Balance at December 31, 2014	\$ 1,171	\$ 134,473	\$ 1,619	\$ 118,793	\$ 1,734	\$ 257,790
Balance at March 31, 2016	\$ 1,127	\$ 156,391	\$ 1,861	\$ 135,611	\$ 1,734	\$ 296,724

At March 31, 2016, the Corporation had property, plant and equipment that was fully depreciated and still in use with a cost of \$15,153 (December 31, 2014 – \$14,679).

For the 15 months ended March 31, 2016, capitalized borrowing costs related to the acquisition of land and construction of new assets amounted to \$108 (12 months ended December 31, 2014 – \$56), with a capitalization rate of 0.1% (2014 – 0.1%).

During the 15 months ended March 31, 2016, Water Facility asset additions were required to operate certain previously impaired cost generating units. As there were no other events that impacted that assessment, the additions of \$44 (12 months ended December 31, 2014 – \$85) were recognised as impaired during the period.

10. Trade and other payables

	March 31, 2016	December 31, 2014
	(Thousands)	
Trade payables	\$ 1,751	\$ 6,025
Interest payable	377	369
Other payables	6,408	15,519
	<u>\$ 8,536</u>	<u>\$ 21,913</u>

The Corporation's exposure to liquidity risk related to trade and other payables is disclosed in Note 20.

11. Notes payable

	March 31, 2016	December 31, 2014
	(Thousands)	
Amount outstanding	\$ 12,999	\$ 20,128
Interest Rate	0.469%	1.04%
Due Date	4-Apr-16	31-Mar-15

By Order in Council, SaskWater is authorized to borrow up to \$30 million (December 31, 2014 – \$30 million) by way of temporary loans from the Province of Saskatchewan's General Revenue Fund (GRF).

The Corporation's exposure to interest rate and liquidity risk related to notes payable is disclosed in Note 20.

Notes to the Financial Statements

March 31, 2016

12. Deferred revenue and infrastructure deposits

	March 31, 2016	December 31, 2014
	(Thousands)	
Deferred revenue		
Balance, beginning of the period	\$ 163,252	\$ 95,487
Net deferred revenue (reductions) additions	(15,661)	9,287
Transferred from infrastructure deposits	50,406	61,656
Amortization of deferred revenue	(4,277)	(3,178)
	193,720	163,252
Less: Current Portion of Deferred Revenue	(3,943)	(3,020)
Non-current balance, end of the period	\$ 189,777	\$ 160,232

	March 31, 2016	December 31, 2014
	(Thousands)	
Infrastructure deposits		
Balance, beginning of the period	\$ 19,099	\$ 2,887
Customer contributions received/receivable	36,870	77,978
Transferred to deferred revenue	(50,406)	(61,656)
Recognized as project management revenue	(173)	(110)
Balance, end of the period	\$ 5,390	\$ 19,099

13. Provisions

	March 31, 2016	December 31, 2014
	(Thousands)	
Balance, beginning of the period	\$ 1,636	\$ 1,656
Settlements during the period	(304)	(234)
Provisions increased (reversed) during the period	55	104
Unwinding of the discount on provisions	129	110
	1,516	1,636
Less: Current Portion of Provisions	(253)	(134)
Non-current balance, end of the period	\$ 1,263	\$ 1,502

The Corporation has onerous contracts related to two potable systems. The systems have significant contracts in effect until December 31, 2022, and December 31, 2026, respectively. SaskWater evaluates these provisions on an annual bases and the changes to the provision were related to system performance that was different than anticipated.

14. Long-term debt

Date of Maturity	Coupon Rate (per cent)	March 31, 2016		December 31, 2014	
		Effective Rate (per cent)	Outstanding Amount (Thousands)	Effective Rate (per cent)	Outstanding Amount (Thousands)
12-Dec-15	4.30	4.30	\$ —	4.30	\$ 2,407
10-Jan-16	4.21	4.21	—	4.21	2,400
11-May-17	4.46	4.46	2,600	4.46	2,600
3-Mar-18	4.45	4.45	5,000	4.45	5,000
1-Sep-19	4.16	4.16	4,500	4.16	4,500
1-Mar-20	4.14	4.14	5,093	4.14	5,093
1-Dec-21	2.96	2.96	3,900	2.96	3,900
1-Mar-24	5.32	5.32	2,100	5.32	2,100
10-Apr-25	5.05	5.05	1,700	5.05	1,700
3-Dec-30	4.32	4.32	9,000	4.32	9,000
12-Dec-35	3.29	3.29	2,407	—	—
10-Jan-36	3.18	3.18	2,400	—	—
01-Mar-41	3.29	3.29	10,718	—	—
			49,418		38,700
Less: Current portion of long-term debt			—		(2,407)
			<u>\$ 49,418</u>		<u>\$ 36,293</u>

By Order in Council, these loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually. The Corporation's exposure to interest rate and liquidity risk related to long-term debt is disclosed in Note 20.

Long-term debt repayments in each of the next five years are as follows:

	(Thousands)
2016/17	\$ —
2017/18	7,600
2018/19	—
2019/20	9,593
2020/21	—
Thereafter	32,225
	<u>\$ 49,418</u>

Under conditions attached to certain advances from the Province of Saskatchewan the Corporation is required to pay annually into debt retirement funds administered by the Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding (Note 8).

Notes to the Financial Statements

March 31, 2016

15. Employee benefits

a) Defined benefit retiring allowance plan

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the UNIFOR Union are as follows:

	March 31, 2016	December 31, 2014
	(Thousands)	
Balance, beginning of period	\$ 454	\$ 426
Expenses	32	10
Actuarial (gains) losses	(16)	18
Balance, end of period	<u>\$ 470</u>	<u>\$ 454</u>

An actuarial assessment is required to be completed each calendar year as at December 31, in conjunction with reporting requirements of the plan. The significant actuarial assumptions adopted in measuring the Corporation's annual accrued benefit liability are:

Discount rate	3.60%	3.60%
Inflation rate	2.50%	2.50%
Average remaining service life	12.3 years	12.3 years

The discount rate has been determined using the most recent information available on corporate bond market yields whose duration approximates the duration of the liabilities.

b) Defined contribution pension plan (Thousands)

The Corporation's employees participated in the Capital Pension Plan (the Plan), a defined contribution pension plan which is sponsored by CIC. During the year all assets in the Capital Pension Plan were transferred to the Public Employees Pension Plan (PEPP), a defined contribution pension plan. The Corporation's contributions to both the Plan and PEPP include making regular payments into the Plan and PEPP equal to 160% of the required amounts contributed by employees for current service. The total amount paid to the Plan and PEPP for the 15 months ended March 31, 2016, was \$931 (December 31, 2014 – \$728).

16. Equity advance and capital disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long-term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a \$30 million line of credit.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	March 31, 2016	December 31, 2014
	(Thousands)	
Gross long-term debt	\$ 49,418	\$ 38,700
Notes payable	12,999	20,128
Debt retirement funds	(14,769)	(16,989)
Net debt	47,648	41,839
Total equity	56,634	51,201
Capitalization	\$ 104,282	\$ 93,040
Debt ratio	45.7%	45.0%

The Corporation has complied with all externally imposed restrictions on its debt for the 15 months ended March 31, 2016.

17. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	March 31, 2016	December 31, 2014
	(Thousands)	
Less than one year	\$ 624	\$ 722
Between one and five years	238	916
More than five years	—	—
	\$ 862	\$ 1,638

The Corporation leases a number of vehicles, office equipment and five office facilities under operating leases. During the 15 months ended March 31, 2016, an amount of \$953 (12 months ended December 31 2014 - \$713) was recognized as an expense in net income with respect to operating leases.

Notes to the Financial Statements

March 31, 2016

18. Commitments and contingencies

a) Contractual commitments (Thousands)

As of March 31, 2016, the Corporation has outstanding commitments of \$14,031 (December 31, 2014 -- \$44,775) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

b) Litigation

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

19. Related party transactions

a) Related parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take partial exemption under IAS 24 *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

b) Compensation of key management personnel

Key management personnel include the President and Vice President positions. The compensation related to key management for employee services is shown below:

	15 months March 31, 2016	12 months December 31, 2014
	(Thousands)	
Salaries, wages and short-term employee benefits	\$ 743	\$ 759
Post-employment benefits	52	87
	<u>\$ 795</u>	<u>\$ 846</u>

20. Financial instruments and risk management

a) Fair values

Fair values are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		March 31, 2016 Asset (Liability)		December 31, 2014 Asset (Liability)	
Classification ¹		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	FVTPL	\$ 7,192	\$ 7,192	\$ 11,747	\$ 11,747
Trade and other receivables	L&R	9,097	9,097	29,215	29,215
Debt retirement funds	FVTPL	14,769	14,769	16,989	16,989
Financial liabilities					
Trade and other payables	OL	8,536	8,536	21,913	21,913
Notes payable	OL	12,999	12,999	20,128	20,128
Dividends payable	OL	190	190	—	—
infrastructure deposits	OL	5,390	5,390	19,099	19,099
Long-term debt	OL	49,418	53,593	38,700	43,300

¹Classification details are as follows:

FVTPL – Fair value through profit and loss

L&R – Loans and Receivables

OL – Other Liabilities

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

Notes to the Financial Statements

March 31, 2016

20. Financial instruments and risk management – continued

b) Determination of fair values

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

	March 31, 2016		December 31, 2014	
	Level 1	Level 2	Level 1	Level 2
	(Thousands)			
Debt retirement funds	\$ –	\$ 14,769	\$ –	\$ 16,989
Long-term debt	\$ –	\$ 53,593	\$ –	\$ 43,300

All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements (Level 2). Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance (Level 2).

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Saskatchewan Ministry of Finance. The Corporation has classified these investments as fair value through profit or loss and therefore recognized the change in the market value in net earnings for the period. The impact of fluctuations in market prices related to these investments will not be significant, therefore management has not provided a sensitivity analysis of the impact.

The Corporation is exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. Interest rate risk on these expected future borrowings are managed, based on the refinancing needs of the Corporation, using derivative financial instruments when deemed appropriate. The Corporation had no derivative financial instruments in place to offset interest rate risk as of March 31, 2016, and December 31, 2014. The change in rate would have no impact on net income due to classification of long-term debt as other liabilities.

20. Financial instruments and risk management – continued

d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. SaskWater manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities:

	March 31, 2016				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
	(Thousands)				
Trade and other payables	\$ 8,536	\$ –	\$ –	\$ –	\$ –
Notes payable	13,000	–	–	–	–
Dividends payable	190	–	–	–	–
Long-term debt	973	973	9,488	13,925	46,336
	<u>\$ 22,699</u>	<u>\$ 973</u>	<u>\$ 9,488</u>	<u>\$ 13,925</u>	<u>\$ 46,336</u>

	December 31, 2014				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
	(Thousands)				
Trade and other payables	\$ 21,913	\$ –	\$ –	\$ –	\$ –
Notes payable	20,179	–	–	–	–
Long-term debt	821	3,229	3,889	15,791	27,381
	<u>\$ 42,913</u>	<u>\$ 3,229</u>	<u>\$ 3,889</u>	<u>\$ 15,791</u>	<u>\$ 27,381</u>

Future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

Notes to the Financial Statements

March 31, 2016

20. Financial instruments and risk management – continued

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation is not exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at the following dates, is limited to the fair value of the financial assets recognized as follows:

	March 31, 2016	December 31, 2014
	(Thousands)	
Cash	\$ 7,192	\$ 11,447
Trade receivables		
Current	4,654	15,446
31 – 60 days	101	2
61 – 90 days	57	167
Over 90 days	213	232
Subtotal	5,025	15,847
Allowance	(77)	(73)
	4,948	15,774
Accrued and other receivables	4,149	13,441
Debt retirement funds	14,769	16,989
	<u>\$ 31,058</u>	<u>\$ 57,951</u>

Provisions for credit losses are maintained and regularly reviewed by the Corporation based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances. At March 31, 2016, the Corporation had a balance of \$77 (December 31, 2014 – \$73) recorded in the allowance for doubtful accounts.

Debt retirement funds are on deposit with, and being administered by, the Saskatchewan Ministry of Finance. At March 31, 2016, the Ministry has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at March 31, 2016, is considered low.

Corporate governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate governance includes the relationships among the stakeholders and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, board of directors and management are instrumental in achieving effective corporate governance.

A Vision for All Crown Corporations

SaskWater shares in the vision that the provincial government has defined for the Crown sector. This vision is for "a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all."

Crown Corporation Structure

SaskWater is a statutory Crown corporation governed by *The Saskatchewan Water Corporation Act, 2002*, and is subject to the provisions of *The Crown Corporations Act, 1993*.

Crown Investments Corporation of Saskatchewan (CIC) is the Province of Saskatchewan's holding company for its commercial Crown corporations, including SaskWater.

Roles and Responsibilities

The Government of Saskatchewan represents the public's interests and sets the vision for the Crown sector. Government approves and rescinds Crown Board appointments.

The CIC Board sets strategic direction for the Crown sector, sets public policy expectations, approves performance standards, allocates capital, and monitors and evaluates the Crown corporations' performance throughout the year.

The Minister Responsible for SaskWater keeps informed of Crown activities and functions as the communication channel between the Crown corporation and its stakeholders, including government, the legislature and the public.

CIC develops policy on Crown corporations and communicates and monitors strategic shareholder direction and policy to the corporation.

SaskWater's Board oversees the overall direction of the business activities of the corporation to achieve the performance targets and is responsible for the approval and implementation of the corporation's strategic plan and performance plan.

Direction to the Crown Sector

The CIC Board provides direction to SaskWater which is reflected in our strategic, business and operational plans. CIC priorities include:

- customer focus to provide the best possible service that is high quality, accessible and affordable
 - infrastructure for economic development in Saskatchewan
 - development of an effective workforce while striving to contain growth in the workforce
 - financial and fiscal sustainability
- CIC also provides direction to SaskWater for such things as programs, reporting processes and procedures, policies and administrative or legislative matters.

Source: *Crown Sector Strategic Plan*

Board of Directors

The SaskWater Board of Directors terms of reference state that the Board will have a minimum of three (3) members and a maximum of ten (10). For the majority of 2015–16, the SaskWater Board consisted of seven (7) independent directors. All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

Responsibilities and Duties

The Board is responsible for SaskWater's stewardship while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction
- guiding strategic planning processes
- executing performance evaluations
- annual and quarterly monitoring and reporting functions
- assisting in business plan development and approval
- monitoring processes and systems used to achieve sustainable operations

The SaskWater Board of Directors met 10 times in 2015–16.

Committees

In 2015–16, the Board had two (2) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility.

The Committees of the Board were:

- Audit and Finance, and
- Governance and Corporate Responsibility

Audit and Finance Committee – held four (4) meetings in 2015–16

Members: Gary Vidal (Chair until May 20, 2015), Ken Hookway (Chair after May 20, 2015), Glenda Whalen, Jordan Bergermann (until May 20, 2015), Michael (Butch) Gering (appointed May 20, 2015)

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the corporation's budget, financial operations and results
- reviewing internal controls established by management and the Board
- participating in internal and external audit processes
- monitoring the adequacy and condition of capital assets
- reviewing and making recommendations on capital activities
- ensuring appropriate systems are in place to identify and manage risk

Governance and Corporate Responsibility Committee – held three (3) meetings in 2015–16

Members: Ken Hookway (Chair until May 20, 2015), Silvia Martini (Chair after May 20, 2015), Lionel LaBelle, Brenda Merasty (resigned March 5, 2015), Jordan Bergermann (after May 20, 2015. Term expired February 5, 2016)

The Governance and Corporate Responsibility Committee reviews and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board committees, Board Chair, individual directors and the President/CEO
- recommending Board and Committee structure, composition and mandate
- ensuring Board orientation and opportunities for professional development
- articulating the roles and responsibilities of the Board
- overseeing compensation policies and collective bargaining mandate

In 2015–16, the Board of Directors struck an ad hoc committee of the Board to review and revise the terms of reference for:

- SaskWater's Board of Directors
- SaskWater's Audit and Finance Committee
- SaskWater's Governance and Corporate Responsibility Committee
- Directors
- Board Chair
- Committee Chair

Terms of Reference outlining the specific scope, duties and responsibilities of the SaskWater Board of Directors and Committees are available upon request by contacting the Corporate Secretary to the Board.

Governance Practices

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the corporation.

SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines.

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
COMPOSITION OF THE BOARD		
NP 58-201, section 3.1		
3.1 The board should have a majority of independent directors.	All directors on the SaskWater Board are independent.	Yes
NI 58-101F1, sections 1(a) and (d)		
1(a) Disclose the identity of directors who are independent; (b) Disclose the identity of directors who are not independent and the basis for that determination; (c) Disclose whether the majority of directors are independent; and (d) Disclose whether a director is a director of any other issuer that is a reporting issuer.	Gary Vidal, Chair: INDEPENDENT - Partner - Pliska Vidal & Co Lionel LaBelle: INDEPENDENT - Chief Commercialization Officer - Government of Saskatchewan Jordan Bergermann: INDEPENDENT (resigned February 5, 2016) - Reeve - RM of Humboldt Michael Gering: INDEPENDENT - President and CEO - Diamond Energy Services Ken Hookway: INDEPENDENT - Account Manager - Affinity Credit Union Silvia Martini: INDEPENDENT - Vice President - Interlink Research, Inc. Glenda Whalen: INDEPENDENT - Small business owner The determination of independence is made by the Governance and Corporate Social Responsibility Committee and is based on an assessment of the requirements in Multilateral Instrument 52-110, Audit Committees. Section 1(d) does not apply to SaskWater as SaskWater does not have share capital, and is not an issuer.	Yes
NP 58-201, section 3.2		
3.2 The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides leadership in board organization, processes, effectiveness and renewal, serves as liaison between the Board and the shareholder and ensures Board agendas reflect an effective balance between the role of the Board and that of management.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 1(f) 1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair.	Gary Vidal is the Chair of the Board and he is an independent director. The Chair reports to the Board and ultimately to the shareholder and is responsible for presiding over meetings of the board and ensuring that the board discharges its fiduciary and legal responsibilities. The Chair's primary duties include: • chairing meetings of the board and ensuring meetings are properly convened and business is conducted legally • working with the CEO and the Corporate Secretary to set Board meeting schedules and establish agendas • monitoring meeting attendance and encouraging full participation by directors at meetings • communicating with directors between meetings • taking a lead role in assessing and addressing any concerns related to board, committee or director performance • assisting directors to achieve full utilization of individual abilities • promoting an open and constructive working relationship between senior management and the Board • working with committee chairs to maintain effective communications and division of responsibilities • providing advice and counsel to the CEO and senior management • representing the shareholder's interests and perspective to management, and representing management's views to the shareholder • in conjunction with the CEO, developing productive relationships and representing the Corporation with the shareholder and key stakeholders	Yes
MEETINGS OF INDEPENDENT DIRECTORS		
NP 58-201, section 3.3 3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.	As a Standing Agenda item, the Board holds an in camera session without management present at each regular meeting of the Board. All directors participate in the sessions, except where a director has a conflict with an item under discussion.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?																		
NI 58-101F1, sections 1(e) 1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.	There were ten (10) Board meetings held in 2015–16, and during five regular meetings, in camera sessions without management present but including all directors were held. Board practices that facilitate open and candid discussion and independent judgment by directors include: • holding in camera sessions of no fixed duration where directors are encouraged to raise any issues of concern • having an independent director as Chair of the Board • clearly delineating the division of responsibilities between Board and management • providing for the Board/directors to access external advice The Board is satisfied that its governance practices foster full and open discussion and debate and that it retains the independence of mind to make decisions in the best interests of the Corporation and the shareholder.	Yes																		
NI 58-101F1, sections 1(g) 1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	The Board held ten (10) meetings in 2015–16. The number of Board meetings attended by each director in 2015–16 is set out below. <table><thead><tr><th>Director</th><th>Meetings Attended*</th></tr></thead><tbody><tr><td>Gary Vidal, Chair</td><td>10 (10)**</td></tr><tr><td>Lionel LaBelle</td><td>9 (10)</td></tr><tr><td>Jordan Bergermann¹</td><td>9 (9)</td></tr><tr><td>Michael Gering²</td><td>9 (9)</td></tr><tr><td>Ken Hookway</td><td>9 (10)</td></tr><tr><td>Silvia Martini</td><td>10 (10)</td></tr><tr><td>Brenda Merasty¹</td><td>0 (1)</td></tr><tr><td>Glenda Whalen</td><td>9 (10)</td></tr></tbody></table> ¹ Brenda Merasty resigned March 4, 2015. ² Michael Gering was appointed to the Board March 10, 2015. ³ Jordan Bergermann resigned February 5, 2016. * For the purposes of this report, members who attended meetings in part were considered to be present ** Figures in brackets represent the maximum number of meetings for the period in which the individual was a board member	Director	Meetings Attended*	Gary Vidal, Chair	10 (10)**	Lionel LaBelle	9 (10)	Jordan Bergermann ¹	9 (9)	Michael Gering ²	9 (9)	Ken Hookway	9 (10)	Silvia Martini	10 (10)	Brenda Merasty ¹	0 (1)	Glenda Whalen	9 (10)	Yes
Director	Meetings Attended*																			
Gary Vidal, Chair	10 (10)**																			
Lionel LaBelle	9 (10)																			
Jordan Bergermann ¹	9 (9)																			
Michael Gering ²	9 (9)																			
Ken Hookway	9 (10)																			
Silvia Martini	10 (10)																			
Brenda Merasty ¹	0 (1)																			
Glenda Whalen	9 (10)																			

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
BOARD MANDATE		
NP 58-201, section 3.4		
3.4 The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation and responsibility for: (a) to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization; (b) adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; (d) succession planning, including appointing, training and monitoring senior management; (e) adopting a communications policy for the Corporation; (f) the integrity of the corporation's internal control and management information systems; and (g) developing the Corporation's approach to corporate governance, including a set of principles and guidelines specific to the Corporation. The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.	The Board has written Terms of Reference that contain the majority of the elements required by the Policy. The Terms of Reference outline the Board's principal duties and responsibilities, including responsibility to function as stewards of the Corporation and to: • provide leadership in setting the Corporation's long-range strategic direction and annually approve the Corporation's overall strategic plan • participate in identifying the principal risks of the business in which the Corporation is engaged and oversee the implementation of appropriate systems to manage the risks • appoint the CEO, evaluate the performance of senior management and ensure effective succession planning processes • adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public • monitor the integrity of the Corporation's internal control and management information systems The Board has approved Terms of Reference for Directors where the expectations and responsibilities of individual directors are delineated. SaskWater regularly surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared. Elements of the Policy not specifically identified in the Terms of Reference for the Board include (a) and (g). Respecting (a), the Board has established practices which promote a culture of ethical business conduct (see discussion under section 3.8 of NP 58-201). With respect to (g) the Board has delegated responsibility to the Governance and Corporate Responsibility Committee to oversee the Corporation's approach to corporate governance.	Substantial compliance

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, section 2 2. Disclose the text of the board's written mandate.	The Board's principal responsibilities are described above. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
POSITION DESCRIPTIONS		
NP 58-201, section 3.5 3.5 The board should: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; develop or approve corporate goals and objectives that the CEO is responsible to meet.	The Board has approved Terms of Reference for the Board, the Chair of the Board, the Chair of each Committee, each Committee and individual directors and has adopted a Position Description for the CEO. The CEO's Position Description sets out the CEO's primary accountabilities and responsibilities. The Board Terms of Reference address management duties, and a Final Authorization Policy, applicable to monetary and non-monetary matters, sets out those matters that require Board approval and delegates other matters to management. The Governance and Corporate Social Responsibility Committee annually recommends performance indicators for the Corporation and personal goals for the CEO that are approved by the Board. The Board annually approves a business plan that includes Corporate objectives, priorities and performance indicators. The CEO is responsible to see that the Corporation achieves the business plan and to meet any other targets assigned by the Board.	Yes
NI 58-101F1, sections 3(a) and (b) 3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position. (b) Disclose whether the board and CEO have developed a written position description for the CEO.	The Board has developed written position descriptions for the Chair of the Board, the Chair of each Committee and the CEO.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
ORIENTATION & CONTINUING EDUCATION		
NP 58-201, sections 3.6 and 3.7		
3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make and the nature and operation of the business. 3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities and ensure their knowledge of the Corporation's business is current.	Management provides new directors with a comprehensive orientation to the business and the industry. CIC delivers a training program that focuses on the skills that directors need to do their jobs, effective board processes and best practices in corporate governance. Other development opportunities made available to directors are described below.	Yes
NI 58-101F1, sections 4(a) and (b)		
4(a) Describe the measures taken to orient new directors to the role of the board, committees and directors and to the nature of the Corporation's business. (b) Describe the measures taken to provide continuing education opportunities for all directors.	All new directors receive an orientation session delivered by management. The orientation session addresses key industry trends, critical business risks and challenges, the strategic plan, organizational structure and responsibilities of senior staff. New directors are able to meet informally with senior managers to learn about the business. Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown boards. The program has focused on the key roles and responsibilities of boards, committees and directors, the skills directors need to effectively discharge their responsibilities and best practices and new developments in corporate governance. Directors can participate in external development opportunities related to their duties as directors where authorized by the Corporation or the Board.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
CODE OF BUSINESS CONDUCT AND ETHICS		
NP 58-201, section 3.8 3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation designed to promote integrity and deter wrongdoing. The code should address: (a) conflicts of interest, including transactions and agreements where a director or officer has a material interest; (b) protection and proper use of corporate assets and opportunities; (c) confidentiality of corporate information; (d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees; (e) compliance with laws, rules and regulations; and (f) reporting of illegal or unethical behaviour.	Board members must comply with the <i>Directors' Code of Conduct</i>, which was developed by CIC and applies to the directors of all its subsidiary Crown boards. Officers and employees of the Corporation and its subsidiaries must comply with SaskWater's Business Code of Conduct. Both Codes are designed to promote integrity and deter wrongdoing, address the elements of the Policy as they apply to a Crown corporation and provide a mechanism to report illegal or unethical behaviour.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 5(a) 5(a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the Code.	A copy of the <i>Directors' Code of Conduct</i> can be obtained by contacting CIC. Committees of the Board monitor compliance with the <i>Directors' Code</i> and the Business Code. The Governance and Corporate Social Responsibility Committee monitors compliance with Corporate donation and sponsorship policies and is responsible to administer, monitor and enforce the <i>Directors' Code</i>. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and submits an annual report to the Board regarding compliance with the <i>Directors' Code</i>. The Audit and Finance Committee monitors the financial performance of the Corporation and assists the Board to meet its responsibilities respecting accounting and financial reporting, risk management, internal controls and accountability. The Committee interacts directly with the internal and external auditors, who report to the Committee concerning, among other things, any instances of illegal or improper treatment of Corporate assets. The Governance and Corporate Social Responsibility Committee monitors compliance with environmental, health and safety and human resource programs, including compliance with the Business Code. SaskWater does not have share capital and is not an issuer. Therefore, no material change reports have been filed.	Yes
NP 58-201, section 3.9 3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee. Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.	The Board has delegated to its Committees the responsibility to monitor compliance with the Codes of Conduct. The Committees report any issues dealt with pursuant to the Codes to the full board. No waivers from either Code have been granted to any director or officer in 2015-16.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 5(b) 5(b) Describe steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to declare any such interest at the meeting where the matter is considered and not to participate in discussions about or vote on the matter. Management monitors agenda items to identify any issues where a director may have a material interest and such items are not distributed to the director.	Yes
NI 58-101F1, sections 5(c) 5(c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct by following current best practices in corporate governance. These practices are reinforced by open and honest discussion about business issues at Board meetings and at informal gatherings between the Board and senior management. The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation, the Business Code of Conduct and any directives or policies of the Board or the shareholder. Issues arising under the Business Code of Conduct are reported to and monitored by the Governance and Social Responsibility Committee and management reports to the Governance and Social Responsibility Committee respecting significant issues that have arisen pursuant to the whistle blowing policy. Whistleblowing reports may also be made directly to the Chair of the Governance and Social Responsibility Committee.	Yes
NOMINATION OF DIRECTORS		
NP 58-201, section 3.10 3.10 The board should appoint a nominating committee composed of entirely independent directors.	The Governance and Social Responsibility Committee functions as the nominating committee. All four (4) members of the Governance and Social Responsibility Committee, including the Committee Chair, are independent directors.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.	The Board, through the Governance and Social Responsibility Committee, reviews the composition and skill sets of directors annually with a view to maintaining an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction and operating needs of the Corporation. The Governance and Social Responsibility Committee is responsible for identifying the skill sets needed on the Board, developing and maintaining a Skills Profile that delineates the competencies of current directors and identifies any skill gaps and seeking and recommending to the Board nominees that have the required competencies to fill any identified gaps. In addition to competencies and skills, the appointment practices encourage diversity in the composition of the Board. In seeking candidates, the Committee receives recommendations from the directors, senior management and the shareholder. Potential candidates are interviewed to determine their overall fit with the needs of the Board, any conflicts that would preclude their effective participation and whether they have the time to devote to board work. The Committee recommends a list of candidates for each vacant position to the Board which in turn recommends a list of recommended candidates to the shareholder for approval. The shareholder has the legislative authority to make board appointments. The Committee believes that following best practices related to board appointments, maintaining a skills matrix and recruiting candidates who possess the required combination of skills, background and diversity to add value to Corporate decision-making supports an objective nomination process.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.11 3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	The Governance and Social Responsibility Committee has written Terms of Reference setting out its purpose and principal responsibilities, which address the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board. The shareholder has the right to nominate candidates for appointment to the Board, and the candidates are assessed by the Governance and Social Responsibility Committee in the same way as other candidates.	Substantial compliance
NI 58-101F1, sections 6(c) 6(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the committee.	The Governance and Social Responsibility Committee performs the functions of a nominating committee, and its Terms of Reference describe the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.12 3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.	The Board's nomination process is described above, and it meets the guidelines of the Instrument. As the Committee responsible for the Board's approach to corporate governance, the Committee makes recommendations to promote timely and effective decision-making.	Yes
NP 58-201, section 3.13 3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees.	The Governance and Social Responsibility Committee, serving as the nominating committee, is responsible for leading the process to identify, recruit and recommend qualified candidates for appointment to the Board.	Yes
NP 58-201, section 3.14 3.14 In making its recommendations the nominating committee should consider: the competencies and skills that the board considers necessary for the board as a whole to possess; the competencies and skills of existing directors; the competencies and skills of each nominee; and whether each new nominee can devote sufficient time and resources to board work.	The process followed by the Governance and Social Responsibility Committee complies with that set out in the Policy and is described above.	Yes
COMPENSATION		
NP 58-201, section 3.15 3.15 The board should appoint a compensation committee composed entirely of independent directors.	The Governance and Social Responsibility Committee performs the functions of a compensation committee. All four (4) of the members of the Governance and Social Responsibility Committee, including the Committee Chair, are independent directors.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?											
NI 58-101F1, sections 7(a) and (b)													
7(a) Describe the process by which the board determines compensation for the directors and officers of the Corporation.	All members of the Governance and Social Responsibility Committee, which serves as the compensation committee, are independent directors.	Yes											
(b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.	CIC has the legislative authority to fix remuneration levels and set expense guidelines for directors. The Governance and Social Responsibility Committee has authority to recommend to the Board (and the Board to CIC) adjustments to directors' compensation. The Committee receives quarterly reports respecting the remuneration received by members of the Board, and reports any anomalies to the Board. Each director receives an annual retainer for acting as a board member. The remuneration levels established by CIC for members of the Board are set out below. <table><tr><th colspan="2">Director Remuneration Schedule</th></tr><tr><td>Board Chair retainer</td><td>\$20,000.00</td></tr><tr><td>Board member retainer</td><td>\$14,000.00</td></tr><tr><td>Audit & Finance Committee Chair retainer</td><td>\$2,600.00</td></tr><tr><td>Other Committee Chair retainer</td><td>\$2,000.00</td></tr><tr><td>Committee member meeting fee</td><td>\$650.00</td></tr></table> A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting the Corporate Secretary to the Board. CIC has established a framework for executive compensation, and the Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning management compensation issues to the Environment & Human Resources Committee. The Governance and Social Responsibility Committee reviews and recommends to the Board: changes to the design of the Corporation's overall compensation and benefits plans; management compensation packages that reflect industry standards; performance compensation programs; and annual Corporate indicators, including a sub-set used to determine performance compensation for senior management. In discharging this function, the Committee has the ability to retain external advisors, subject to approval by the Board.		Director Remuneration Schedule		Board Chair retainer	\$20,000.00	Board member retainer	\$14,000.00	Audit & Finance Committee Chair retainer	\$2,600.00	Other Committee Chair retainer	\$2,000.00	Committee member meeting fee
Director Remuneration Schedule													
Board Chair retainer	\$20,000.00												
Board member retainer	\$14,000.00												
Audit & Finance Committee Chair retainer	\$2,600.00												
Other Committee Chair retainer	\$2,000.00												
Committee member meeting fee	\$650.00												

CORPORATE GOVERNANCE STATEMENT

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.16 3.16 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.	The Board has approved Terms of Reference for the Governance and Social Responsibility Committee, which addresses the Committee's responsibilities with respect to compensation, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board.	Substantial compliance
NI 58-101F1, sections 7(c) 7(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the committee.	The Governance and Social Responsibility Committee serves as the compensation committee, and its Terms of Reference describe the Committee's responsibilities respecting compensation issues, as well as the powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.17 3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.	The Governance and Social Responsibility Committee annually recommends to the Board the CEO's performance targets, and leads the annual performance evaluation process for the CEO. The CEO's performance is assessed against the established Corporate objectives and the CEO's individual targets. The results of the CEO's performance are approved by the full Board, and are used in determining compensation. Respecting non-CEO officer compensation, the Committee is responsible for recommending to the Board management compensation packages, performance compensation programs and annual performance targets. The Board reviews and approves the achievement of Corporate targets annually and the extent to which the targets are achieved determines management's eligibility for performance compensation. Executive compensation decisions are subject to any guidelines established by CIC. As a Crown corporation, SaskWater does not have equity-based plans. Director compensation is determined by CIC. Executive compensation information is available to the public through publication of Crown payee reports. The Committee does not review executive compensation reports prior to public disclosure.	Substantial compliance
OTHER BOARD COMMITTEES		
NI 58-101F1, section 8 8 If the board has standing committees of the board, other than audit, compensation and nominating committees, identify the committees and describe their function.	The Board has the Audit and Finance Committee and the Governance and Social Responsibility Committees.	Yes
BOARD ASSESSMENTS		
NP 58-201, section 3.18 3.18 The board, its committees and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.	Board, Board Chair, Committee Chair and Committee evaluations as well as director peer assessments are performed annually on a 2 year cycle, with comprehensive board and board chair evaluations being conducted one year, and director peer, committee chair and committee evaluations being conducted the following year. The evaluations take into consideration the elements of the Policy. In 2015-16, Peer, Committee and Committee Chair Evaluations were conducted.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, section 9 9 Disclose whether the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.	The Governance and Social Responsibility Committee oversees the implementation of the above evaluation processes, and uses an external consultant in the case of director peer assessments. The evaluations are survey-based, using an instrument developed by CIC in consultation with an outside consultant and with Crown board members. Board, chair, committee and director performance is measured against the duties and expectations set out in their respective Terms of Reference and the specific standards outlined in the evaluation instruments. The purpose of the evaluations is to identify areas where the Board, Committee, Chair or director is managing well and to highlight areas that may benefit by additional focus and attention. Directors complete surveys to provide feedback in writing on the effectiveness and contribution of the Board, Committees, Chairs and individual directors. The Board Chair or a third party may follow up the written responses with interviews of directors to elicit additional concerns or suggestions for improvement. The Governance and Social Responsibility Committee prepares reports outlining the evaluation results, which are submitted to the Board for review and approval. The Committee recommends follow-up action required as a result of recommendations made in the evaluation reports, and tracks implementation of any action items.	Yes
CSA National Policy 58-101 Disclosure of Corporate Governance Practices 10. Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.	The appointment and removal of Directors is the prerogative of the Lieutenant Governor in Council pursuant to <i>The Saskatchewan Water Corporation Act</i>. Director appointments are not subject to term limits.	No

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
11.(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so. (b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	CIC has a written "Board of Directors' Appointment Policy." While the policy does not specifically refer to the identification and nomination of women Directors, it requires Crown Boards to include "diversity candidates." The term "diversity candidates" is not defined but it is interpreted as including women, Aboriginal persons, and visible minorities. CIC maintains statistics regarding diversity of each Crown Board, including progress made in the percentage of women serving on Crown Boards. Annually, CIC forwards information to the shareholder to be considered when Board appointment decisions are made. The information includes the skill sets required for the Board and diversity statistics. As of December 31, 2014, the Board was comprised of three (3) women out of a total of seven (7) members (42.8%). As of March 31, 2016, the Board was comprised of two (2) women out of a total of six (6) members (33.3%).	Partial compliance
12. Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	It is the responsibility of Executive Council to consider the level of representation of women on the Board.	Partial compliance
13. Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	Executive Officer appointments are made by the CEO in consultation with the Board. The CEO gives consideration to the level of representation of women in Executive Officer positions, along with other relevant factors, when making Executive Officer appointments.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
14.(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date. (b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so. (c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so. (d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target, and (ii) the annual and cumulative progress of the issuer in achieving the target.	Although the CIC policy requires Crown Board to include "diversity candidates," the CIC policy does not adopt a specific target for representation of women on the Board. SaskWater does not currently have a target regarding women in Executive Officer positions.	No
15.(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women. (b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	The Board is currently comprised of six (6) members, two (2) of which are women. (33.3%) Currently, one (1) of the three (3) Executive Officers is a woman. (33.3%)	Yes



Chair, Gary Vidal, CPA, CGA

Meadow Lake

Gary Vidal is a partner in the accounting firm Pliska Vidal & Co. in Meadow Lake where he has served his clients for more than 25 years. He was elected Mayor of the City of Meadow Lake in September 2011, and continues to serve his community in that capacity. Gary has invested a significant amount of time in his community through his service on various boards and committees over the years. He also is a committed volunteer in the area of minor hockey.

Since joining the SaskWater board in February 2008, Gary has very much enjoyed using his leadership and financial background at the board table to contribute to the challenge of SaskWater becoming a successful business.

Vice Chair, Lionel LaBelle

Warman

Lionel LaBelle has an extensive entrepreneurial background, having assumed a leadership and ownership role in a cross-section of public and private corporations focused on agribusiness, construction and manufacturing. Lionel is a past President and CEO of the Saskatchewan Trade and Export Partnership (STEP), a member-based public/private partnership focused on assisting Saskatchewan exporters in national and international markets. He was also Senior Vice President of the Treasury Board Crown corporation SaskBuilds in charge of the Priority Saskatchewan initiatives.

Lionel continues to sit on the board of the Global Transportation Hub Authority (GTH) and is a member of the Premier's Asia Advisory Council. Since November 2015, Lionel has taken a leadership role as Chief Commercialization Officer with the Government of Saskatchewan.

Lionel obtained his Chartered Director (C. Dir.) designation from the Directors College in 2015-16.

Jordan Bergermann

Muenster

Jordan Bergermann was elected as Councillor for Division 1 in the RM of Humboldt #370 shortly before retiring from farming in the spring of 2005. After serving two years as councillor, he was elected as Reeve, in which capacity he serves at the present time. Since becoming involved in municipal politics, he represents the RM of Humboldt #370 on the Lanigan/Dellwood Watershed Association Board. He has served on various community boards and is a Grand Knight and a fourth degree member of the Knights of Columbus.

Jordan returned to the Governance and Corporate Responsibility Committee in 2015. He retired from the SaskWater Board of Directors in February 2016. He feels it was a privilege to serve on the SaskWater Board of Directors and work with the corporation's very professional staff.

Michael (Butch) Gering**Swift Current**

Mike (Butch) Gering is the President and CEO of Diamond Energy Services in Swift Current, where he and his wife are long-time residents. Two of their three daughters attend the University of Saskatchewan and one attends Great Plains College. Since September 2014, Butch has served on the Great Plains College board of directors.

Ken Hookway**Warman**

Ken Hookway is an Agriculture Account Manager II with Affinity Credit Union at the Business Banking Centre North. Ken has been employed in the banking industry for the past 40 years, 31 of those years in Western Canada, and has served Saskatchewan's farming community since 1988. Ken has been a past member, director and officer on many boards and committees. These have included the local Kinsmen Club, Melfort United Church, Melfort Mustangs Junior Hockey Club, Melfort & District Chamber of Commerce, the University of Saskatchewan Regional Advisory Committee and STARS Melfort Fund Raising Committee. Since 2001, Ken has also worked as a private bookkeeper in the farming and commercial business sectors.

Ken serves as Chair of the Audit and Finance Committee.

Silvia Martini**Saskatoon**

Silvia Martini is Vice President of Interlink Research, Inc. Her entrepreneurship and leadership experience spans 30 years, and includes strategy, start-ups, market development, manufacturing, and exporting. She is a staunch advocate for Saskatchewan's leadership potential in sustainable economic and community development, and has been recognized with the Raj Manek Mentorship Program's 2016 *Above & Beyond Award* for exceptional efforts in promoting entrepreneurship toward strong and successful businesses in Saskatchewan.

She is a speaker, workshop facilitator and writer on business and leadership. Silvia is completing a second elected term as a Director of the Board for the Greater Saskatoon Chamber of Commerce, and has been elected board vice-president for the Word on the Street Festival, Saskatoon. She is a mentor with the University of Saskatchewan Betty-Ann Heggie Womensorship Program. She is a graduate of the Edwards School of Business and the recipient of the *Brooke Dobney Excellence Award for Most Distinguished Graduate*, EBAC.

Silvia serves as Chair of the Governance and Corporate Social Responsibility Committee.

Glenda Whalen**Qu'Appelle**

Glenda Whalen is a small business owner in Saskatchewan. After many years in the field of education, Glenda pursued her Bachelor of Fine Arts Degree at the University of Regina, graduating in 2003, with distinction, and worked for many years as a contracted designer. Serving her community is a high priority for Glenda. She is on the Town of Qu'Appelle Fundraising Committee for the new library. Glenda actively volunteered over the years with the James Hamblin School Council, Qu'Appelle Soccer Association (founding member), Qu'Appelle Lioness, Indian Head Broncs football and Chiefs Hockey as the team manager. Glenda and her husband are owners and operators of a cattle and grain farm in the RM of South Qu'Appelle.

Glenda obtained her Chartered Director (C. Dir.) designation from the Directors College in 2015-16.

Doug Matthies, President and CEO

Doug Matthies has served as the President and CEO of SaskWater since July 1, 2010. Prior to joining SaskWater, Doug served in several senior capacities in the provincial government including as Deputy Minister of Finance, Deputy Minister of Agriculture and Food, General Manager of the Saskatchewan Crop Insurance Corporation and General Manager of the Saskatchewan Pension Plan.

Doug has a total of 28 years experience in the provincial government in several areas including strategic planning, policy analysis and development, financial management, program operations, public accountability, legislative and regulatory processes, and stakeholder consultations and relations. Prior to joining government in 1987, Doug worked in the private-sector accounting firm of Clarkson and Gordon and later the firm Arscott Hill & Matonovitch.

Doug has served on several boards over the course of his career including organizations in the fields of international trade, agricultural research, transportation and financial institutions. He has also been a member of various federal-provincial working groups, inter-ministry working groups and community groups.

Doug is a Chartered Professional Accountant (CA) with a Bachelor of Administration (Distinction) degree from the University of Regina. Doug also obtained his Chartered Director (C. Dir.) designation from the Directors College in 2015-16.

Eric Light, Vice President, Operations and Engineering

In June 2014, Eric Light assumed the duties of Vice President, Operations and Engineering. He is responsible for managing the delivery of SaskWater's core business—the operation, maintenance and service delivery for the supply of potable and non-potable water to communities and industries, and for the engineering functions to manage new capital projects and support operations. Other lines of business falling under Eric's direction include certified operation and maintenance of customer-owned waterworks, operator training and Occupational Health and Safety.

Eric has over 30 years of engineering and management experience and has been with SaskWater since 1986. His previous position was Director of Engineering, a role he held since January 2009.



SaskWater's executive team, from left:
Doug Matthies, Jacquie Gibney, Eric Light.

Eric has a Bachelor of Applied Science (Distinction) degree in Regional Systems Engineering from the University of Regina, as well as his Master of Engineering degree in Civil Engineering from the University of Saskatchewan. Eric is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan.

Jacquie Gibney, Vice President, Business Development and Corporate Services

Jacquie Gibney became the Vice President, Business Development and Corporate Services at SaskWater in September 2014. She is responsible for human resources, administration and facility services, information technology, policy and planning, corporate communications and business development for the corporation.

Prior to joining SaskWater, Jacquie held several positions with Farm Credit Canada including Director of Corporate Communication and Change Management and Director, Strategy and Government Relations. She also spent over 20 years with the Saskatchewan Ministry of Agriculture in a variety of senior capacities including Assistant Deputy Minister responsible for industry development.

Jacquie has over 25 years of public sector experience spanning a broad number of areas including agriculture finance, policy and program development, corporate communication, strategic planning, government relations, research and business development.

Jacquie has a Bachelor of Science in Agriculture degree from the University of Saskatchewan and a Master's degree in Business Administration.

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